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Letter dated 11 August 2004 from the Chairman of the Security Council Committee established pursuant to resolution 751 (1992) concerning Somalia addressed to the President of the Security Council

On behalf of the Security Council Committee established pursuant to resolution 751 (1992) concerning Somalia, and in accordance with paragraph 6 of Security Council resolution 1519 (2003), I have the honour to transmit herewith the report of the Monitoring Group on Somalia.

In this connection, the Committee would appreciate it if this letter together with its enclosure were brought to the attention of the members of the Security Council and issued as a document of the Council.

(*Signed*) Lauro L. **Baja**, Jr.
Chairman
Security Council Committee established pursuant to
resolution 751 (1992) concerning Somalia

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Enclosure

Letter dated 22 July 2004 from the Chairman and members of the Monitoring Group on Somalia addressed to the Chairman of the Security Council Committee established pursuant to resolution 751 (1992)

We have the honour to transmit herewith the report of the Monitoring Group on Somalia in accordance with paragraph 6 of Security Council resolution 1519 (2003).

(*Signed*) John **Tambi**
Coordinator
Monitoring Group on Somalia

(*Signed*) Melvin E. **Holt**, Jr.

(*Signed*) Changsheng **Li**

(*Signed*) Joel **Salek**

Report of the Monitoring Group on Somalia pursuant to Security Council resolution 1519 (2003)

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* The annexes are reproduced in the language of submission only.

Abbreviations

AIP	Aeronautical Information Publication
AML	Anti-Money Laundering
ASYCUDA	Automated System for Customs Data
AU	African Union
CACAS	Civil Aviation Caretaker Authority for Somalia
CC	Communication Center
CEN	Customs Enforcement Network
COMESA	Common Market for Eastern and Southern Africa
EU	European Union
FATF	Financial Action Task Force on Money Laundering
ICAO	International Civil Aviation Organization
IGAD	Intergovernmental Authority on Development
IMO	International Maritime Organization
IWETS	Interpol Weapons and Explosives Tracking System
JVA	Juba Valley Alliance
LAS	League of Arab States
OECD	Organization for Economic Cooperation and Development
RILO	Regional Intelligence Liaison Office
SFSA	Somalia Financial Services Association
SRRC	Somalia Reconciliation and Restoration Council
TNG	Transitional National Government
UAE	United Arab Emirates
UNCAS	United Nations Common Air Services for Somalia
UNDP	United Nations Development Programme
UNHCR	Office of the United Nations High Commissioner for Refugees
UNSECOORD	Office of the United Nations Security Coordinator
WCO	World Customs Organization

Summary

1. Somalia embodies pain and suffering. Plagued by 13 years of warfare, Somalia has been hurting and bleeding — suffering from untold loss of life and infrastructural and institutional degradation. It is trapped in a complex cauldron originating in an intricate web of clan-based factionalism and compounded by occasional interferences by selfish external interests. The situation has further been complicated by the country's lack of a functional national government.

2. Somalis live in a perennial state of anarchy, political instability and, for most of them, crippling poverty. While relative stability prevails in the northern regions, violent and deadly conflicts continue in much of the southern and central areas, disrupting the provision of humanitarian and rehabilitation assistance.

3. The investigations of the Monitoring Group on Somalia have revealed that arms continue to flow into Somalia, and are circulating within and moving out of Somalia. Violations of the arms embargo continue but the pattern of the arms traffic and the resulting violations seem to have changed. While in the past warlords were known to have been the main importers of arms and weapons, arms traders and other businessmen are increasingly playing a more active and bigger role in this traffic.

4. Arms continue to be imported into Somalia and sold openly in the various local arms markets there, and the Bakaaraha arms markets in Mogadishu are still the main source for arms in Somalia. Arms sold in the local arms markets are bought either off the shelf or based on special orders by agents of the warlords and other interested parties, typically through the Bakaaraha arms markets. The level of the shipment of arms to specific warlords by external sources is being maintained, particularly of arms obtained by special order, for example, heavy weapons and ammunition.

5. The flow of arms out of Somalia appears to be in small quantities but takes place on a daily basis and particularly to a neighbouring State. Information indicates that Somali warlords, some of whom are also involved in drug trafficking, are all involved in the violation of the arms embargo.

6. Reports indicate that the transportation of arms by air has decreased, although some airports in Somalia are still suspected of being used for arms traffic. Transportation by sea and by road is the preferred means of transportation of arms and weapons these days. There are very strong indications that arms smuggled from the territory of one neighbouring Gulf State are transported to a port in a neighbouring State and then to Somalia either by road or by sea.

7. The flow of arms and weapons now comes from external sources to the north and south of Somalia. These arms and weapons are often delivered at several places along the long Somali coastline. They are transported by dhows and in some cases large vessels and are later distributed within Somalia by road.

8. There is a possibility that proceeds from the khat trade and the sale of hashish in foreign countries is used for the purchase of arms. Information from confidential sources indicates that some Somali warlords are not keen on seeing a government in place in Somalia because it would undermine their business operations. There are also reports that some warlords who have no support from outside Somalia obtain arms and weapons from two frontline States and from inside Somalia.

9. Money obtained from arms and drug trafficking and other illegal activities is used to buy goods that are then smuggled into neighbouring countries. In the absence of a central government that collects taxes and customs duties, imposes bans, enacts laws, etc., the financial capacity of some businessmen and warlords and, consequently, their military capability have increased tremendously.

10. There is evidence that arms are transported to a neighbouring State from Somalia and sold in a very insecure region of the neighbouring State. According to highly credible Somali sources, there have been major arms shipments from a port of a neighbouring State over the past six months. Numerous sources have stated that an organized network of Somalis and other individuals from this neighbouring State has been smuggling armaments into and through the ports of this State by sea.

11. Most of the customs administrations in the region take revenue collection as their priority to the detriment of border protection and security. No customs administration considers the stopping of arms trafficking as part of its mandate. Furthermore, the customs border control and enforcement of the neighbouring States are far from effective with regard to enforcement of the arms embargo. Some customs administrations lack capability to implement the arms embargo effectively. Corruption is a major problem with regard to regional customs enforcement. Some of the customs administrations, however, have become aware of the problem. There is a need for the Governments of neighbouring States to demonstrate their political will to improve their customs departments in order to improve those departments' enforcement capabilities. Cooperation between countries would considerably enhance the effectiveness of the implementation of the arms embargo.

12. At this stage of the investigations, it is recommended that the draft list called for in paragraph 2 (e) of Security Council resolution 1519 (2003) be called a watch list and remain confidential. This draft list will include individuals who should be investigated further to establish clearly whether they continue to violate the arms embargo.

13. Continued monitoring of the arms embargo is necessary to ensure its effectiveness. The limited duration of the mandate does not offer enough opportunities to investigate fully some of the alleged violations, thus making it difficult to come up with clear-cut and definitive cases of violation.

14. At this critical stage of the Somali National Reconciliation Conference at Mbagathi, Kenya, the continuity of the Monitoring Group is imperative so that it can act as a deterrent to potential violators of the arms embargo during the Conference and to ensure that opposition groups do not destabilize the new transitional government that may emerge out of the Conference, or to minimize the violence that may erupt if the outcome of the Conference is inconclusive.

I. Introduction

A. General

15. Pursuant to paragraph 2 of Security Council resolution 1519 (2003) of 16 December 2003 concerning Somalia, the Secretary-General established a monitoring group composed of four experts for a period of six months. The Monitoring Group was based in Nairobi. The Group was mandated to focus on the

ongoing violations of the arms embargo, including transfers of ammunition, single-use weapons and small arms.

16. The Monitoring Group comprised the following experts: John E. Tambi (Sierra Leone), transport (air, land and sea) expert and coordinator; Melvin E. Holt, Jr. (United States of America), arms expert; Li Changsheng (China), customs expert; and Joel Salek (Colombia), finance expert.

17. The Monitoring Group travelled throughout the region and visited areas of concern in Kenya. It also travelled to Europe and the United States of America.

18. In resolution 1519 (2003), the Security Council requested all Somali and regional parties as well as government officials and other actors contacted outside the region to cooperate fully with the Monitoring Group in the discharge of its mandate. It also requested the Monitoring Group to notify it immediately, through the Committee established pursuant to resolution 751 (1992), of any lack of cooperation. The experience of the Monitoring Group has been that while most of those contacted were cooperative, their willingness to provide relevant and pertinent information regarding violations of the arms embargo was minimal. Most of the regional parties, government officials and other actors that it contacted were unwilling to provide information until the Monitoring Group presented specific and credible cases of violation of the arms embargo.

19. Against this background, while all the States, regional parties and actors contacted reiterated their support for and cooperation with the Monitoring Group, the onus of investigations of violations of the arms embargo was placed squarely on the members of the Monitoring Group, with little or no assistance from those contacted.

20. Throughout the period of its mandate, the Monitoring Group kept the Security Council Committee established pursuant to resolution 751 (1992) apprised of its activities and progress by submitting progress reports every two weeks through the United Nations Secretariat.

21. During its investigations, the Monitoring Group took the following into consideration: the stages and progress of the Somali National Reconciliation Conference at Mbagathi, Kenya; the political dynamics and security situation in Somalia; the expectations and concerns of neighbouring States regarding the outcome of the efforts of the Monitoring Group and the violations of the arms embargo; and the need to cooperate and collaborate with other United Nations agencies and regional and non-governmental organizations.

22. The Monitoring Group received much-appreciated support and assistance from numerous departments of the United Nations Secretariat and United Nations agencies, in New York, Europe and the region.

B. Mandate

23. The Security Council, at its 4885th meeting, on 16 December 2003, adopted resolution 1519 (2003). In paragraph 2 of that resolution, the Council conferred the following mandate on the Monitoring Group:

(a) To investigate the violations of the arms embargo covering access to Somalia by land, air and sea;

(b) To detail information and make specific recommendations in relevant areas of expertise related to violations and measures to give effect to and strengthen the implementation of the arms embargo in its various aspects;

(c) To carry out field-based investigations in Somalia, where possible, and in States neighbouring Somalia and other States, as appropriate;

(d) To assess the progress made by the States in the region to implement fully the arms embargo, including through a review of national customs and border control regimes;

(e) To provide the Committee in its final report with a draft list of those who continue to violate the arms embargo inside and outside Somalia, and their active supporters, for possible future measures by the Council;

(f) To make recommendations based on its investigations and the previous reports of the Panel of Experts (S/2003/223 and S/2003/1035) appointed pursuant to resolutions 1425 (2002) and 1474 (2003).

C. Methodology and challenges of the investigation

1. Methodology

24. In accordance with its mandate, the Monitoring Group focused on the violations of the arms embargo, including transfers of ammunition, single-use weapons and small arms, from the beginning of the period of the mandate up to the time of writing the present report — February to July 2004. The findings of the reports of the last two Panels of Experts were, however, taken into consideration during the investigations. These findings were also very useful in the follow-up of cases of violation of the arms embargo, in the definition of the criteria and in laying the foundation for developing the draft list of violators of the arms embargo.

25. In view of the fact that the reports of the previous Panels of Experts presented cases of violation of the arms embargo and identified individuals, organizations and, in some cases, States that were allegedly responsible for or contributed to those violations, the Monitoring Group found it necessary to present a clear and holistic picture of the violations of the arms embargo. Given the over 14 separate attempts to bring about a peaceful agreement and an all-inclusive national government in Somalia and the continued violations of the arms embargo, there is a compelling need to better understand the patterns and systems of violation of the arms embargo before recommending any future measures for the effective enforcement of the embargo.

2. A holistic picture

26. In order to provide a systemic and holistic picture of the totality of the violations of the arms embargo, it was necessary to thoroughly review the reports of the previous Panels of Experts (S/2003/223 and S/2003/1035) and the initial report of the Team of Experts (S/2002/722). The review provided the basis for developing a systemic understanding of the violations of the arms embargo.

27. In the review, the Monitoring Group placed special emphasis on the findings and recommendations of the above-mentioned reports. Opportunities for case studies on violations of the arms embargo were explored on the basis of the review.

A holistic picture and systemic understanding of the violations of the arms embargo demand, at a minimum, that the following be known: the points of entry and exit of arms and the flow of weapons into Somalia; the mode of transport (air, land, sea) used; the destination of the weapons; the warlords, faction leaders or businessmen[1] receiving the arms and weapons; the areas or regions under the control of the faction leaders, warlords and businessmen and their associates, the military strength of the faction leaders, warlords and businessmen in terms of the quantum of weapons, ammunition, militias, etc.; the operation of arms markets in Somalia and the system of distribution; the flow of arms out of Somalia and the operations network; and the source of the arms and the distribution and procurement system used.

3. Interviews

28. Given the limited usefulness of questionnaires, particularly in this context in which the period of the mandate is short and the region to be covered is large, the use of questionnaires was ruled out. It was felt that face-to-face interviews with the key actors, including government officials, would be more effective and useful in collecting relevant information for the investigations. Confidence in this approach was enhanced, in the case of the States visited by the Security Council Committee established pursuant to resolution 751 (1992) and some of the key Somali actors it interviewed, by the commitments and support pledged to the efforts of the Committee during its visits to the region in November 2003.

4. Visits to States

29. At the beginning of its stay in Nairobi, the Monitoring Group travelled to the front-line and neighbouring States. The following States were visited between mid-March and mid-April 2004: Djibouti, Egypt, Ethiopia, Eritrea, the United Arab Emirates and Yemen. These missions provided an opportunity to collect information and ask questions that would not have been adequately answered had a questionnaire been used. The missions also provided an opportunity to visit areas of concern in the States and to collect materials and documents useful for the investigations. Where appropriate, a list of pertinent questions was submitted to government officials to be answered at a later date.

30. Missions were also undertaken to Belgium, the United Kingdom of Great Britain and Northern Ireland, Switzerland and the United States of America. In addition to these missions, the Monitoring Group conducted over 100 interviews with Somali faction leaders, warlords and businessmen, their representatives and representatives of Somali civil society, non-governmental organizations, embassies or high commissions. In Kenya, meetings were held with representatives of the Government of Kenya, international and regional organizations, the financial sector and United Nations agencies. Regrettably, due to the security situation in Somalia the Monitoring Group was unable to undertake a mission to any region in Somalia.

[1] These are defined as follows: warlord: a person who has de facto military control of an area by virtue of military force. Faction leader: an individual politically representing his clan(s) within his area of control and with military capability. Businessman: an economically powerful individual who accrues his wealth from taking advantage of the absence of a central government and who has military capability. Arms traders: individuals who are engaged in arms trafficking primarily to make profits and who serve as a conduit for arms transactions.

31. At the outset, meetings were held with representatives of the Security Council Committee established pursuant to resolution 751 (1992) concerning Somalia. During these meetings, three glaring issues emerged: the investigations must be based on high evidentiary and evaluation standards; the investigations should cover the whole of Somalia; and the Monitoring Group should maintain regular contacts with the Committee regarding its activities throughout the period of the mandate. These issues had been underscored during the formal presentation of the work plan of the Monitoring Group to the Security Council Committee on 20 February 2004. The third issue has been faithfully addressed through the submission of reports every two weeks. The second issue has not been difficult to address, although it raises several questions that will be discussed later. The first issue has been the most challenging.

5. Challenges

32. The attainment of high evidentiary and evaluation standards proved to be very challenging for the Monitoring Group. Notwithstanding the high standards of proof required, it is important to note that the Monitoring Group did not have legal authority for ascertaining the veracity of the information obtained and for compelling the informants to produce documents. For this reason, the Monitoring Group conducted investigations and gathered, evaluated and reported information. This task was particularly challenging given the attitude of the government officials and actors contacted in the field.

33. Upon its arrival in the field, the Monitoring Group discovered that documenting current and ongoing violations of the arms embargo and all the related information — reflecting the different areas of expertise of the group — in significant and highly exact detail was extremely difficult, if not impossible, in the Somali context.

34. Somalia is an oral society in which documents and other traditional forms of accurate record-keeping are not the norm. This situation is exacerbated by the divisive nature of clan politics and the general political instability in Somalia, which has given rise to a deliberate system of misinformation or disinformation through the media. The Somali media have proved to be unreliable, particularly in some of the cases of alleged violations of the arms embargo involving neighbouring States.

35. This situation is further complicated by the fact that information provided by sources — some of which appear to be very credible — is at best questionable. Very often, information provided by these sources is either dated or could be a deliberate effort to implicate others because of political or clan differences.

D. Standards of verification

36. Against the backdrop of the challenges and difficulties in obtaining information in the field, the Monitoring Group adapted its standards of evidence to suit the Somali context. The Monitoring Group presented its standards to the Security Council Committee on 19 May 2004 during the midterm briefing:

(a) Collection of information on events and topics from multiple sources where possible;

(b) Collection of information from sources with first-hand or quasi-first-hand knowledge of events;

(c) Looking for the consistency of the patterns of information and comparing them with new information;

(d) Looking at the totality of the information obtained on issues, topics and events and developing a mosaic of the information. Determining how the new information compares with the substance, tone and feel of the information already collected;

(e) Continuously factoring in the expertise and judgement of the relevant expert of the Group and the collective assessment of the Group;

(f) Continuously seeking out documentary support of the information collected.

E. Relevance of the arms embargo to the Somali peace process

37. The Somali National Reconciliation Conference, which started in October 2002 under the auspices of the Intergovernmental Authority on Development (IGAD) in Eldoret, Kenya, is now in its final and most critical stage, Phase III. Phase III calls for the finalization of the Conference with the creation of an all-inclusive transitional federal government for Somalia by the end of July 2004. The outcome of this phase is very crucial and may very well determine the degree and level of violations of the arms embargo in the future in Somalia.

38. During the Conference, prior to the commencement of Phase III, there were rumours of some faction leaders and warlords receiving arms shipments. The rumours were persistent with regard to the faction leaders who withdrew from the talks and went back to Somalia. This prompted the Chairman of the IGAD peace process, Mr. Bethuel Kiplagat, to write a letter to the Monitoring Group, bringing the allegations to its attention so that it could investigate and report accordingly. A copy of this letter is attached to the present report as annex I.

39. A successful outcome of the Conference leading to the formation of an all-inclusive government would require continued monitoring of the arms embargo to ensure that opposition groups would not procure arms to destabilize a new and probably fragile government. On the other hand, an ambiguous or incomplete outcome of the conference would make the warlords, faction leaders and businessmen anxious to protect their territory and assets, and thus engage in an arms race. The latter situation would require effective monitoring and enforcement of the arms embargo to minimize violence and ensure the safety of the innocent civilians who suffer the brunt of violations of the arms embargo.

40. The Monitoring Group and its predecessors, the Panels of Experts, have acted as a major symbolic deterrent to violations of the arms embargo. Despite the low profile of the previous Panels of Experts and the Monitoring Group, the Somali faction leaders, warlords and businessmen are aware of the commitment of the Security Council to the arms embargo in creating these Panels and the Monitoring Group and have an idea of the consequences likely to be faced by violators of the arms embargo in the future.

II. Violations of the arms embargo in Somalia

41. During the period of the current mandate, the Monitoring Group has established that there is a continuous flow of arms into, within and out of Somalia, in contravention of the arms embargo and to the detriment of peace and stability in Somalia and the region. The armaments are transported mainly by road and sea and easily circumvent border authorities, where they exist. Violations of the arms embargo have become a very lucrative business for those involved.

A. Arms flows into, within and out of Somalia

42. It is almost impossible to discuss the arms and ammunition traffic into and within Somalia without describing the role of the Bakaaraha arms market network.

1. The Bakaaraha arms market network (flow of arms into and within Somalia)

43. The commonly used term, the Bakaaraha arms markets, is in reality a network of several financially interlinked large arms markets located at different places in Somalia, with the largest markets being in Mogadishu and the largest single market — Irtogte (south Mogadishu) — in the commercially diverse Bakaaraha market. The other significant arms market, known as the Argentin market, is located in north Mogadishu. The Irtogte and the Argentin markets, respectively the largest and the second largest, both have a variety of weapons and weapons storage areas. These two markets are associated with each other through traders who move weapons from one market to the other, depending on demand.

44. The Argentin market primarily sells small arms and a variety of ammunition. Twice a week, Argentin traders go to the Irtogte market and shop, mostly for light weapons and ammunition. After about four days they return and pick up any miscellaneous items not obtained during their previous shopping trip. Potential buyers of weapons at Argentin work with traders to obtain weapons from Irtogte if a particular need cannot be satisfied at the Argentin market.

45. There is a big turnover, a steady flow in and out, of the small arms sold at both the Irtogte and Argentin markets. The following weapons are popular and sell quickly: the AK-47, which is considered to be like instant cash; the RPD (machine gun), which is very popular; and the Dabamiinshaar, a belt-fed machine gun. The Monitoring Group learned that there was fear of discovery of written or printed documentation, particularly in the event of a new government coming to power in Somalia. As a result, traders often place orders for weapons by telephone and not in writing.

46. Basically, there are two different groups of people who bring weapons for sale to the arms markets, particularly Irtogte: warlords and businessmen (those with militias) and their respective representatives; and arms traders. Every warlord and businessman has his own representative who sells weapons on his behalf. The representative sells weapons to make money for the warlord or businessman he works for.

47. A warlord or businessman may obtain weapons from neighbouring countries or from friends in Mogadishu. In some cases, when a warlord gets armaments from a neighbouring country, he must sell a portion of them to pay for the shipment of the

weapons and to pay his employees. The warlord or businessman usually does not sell the arms per se; it is normally the ammunition that is sold.

48. The warlords and businessmen, however, also buy weapons from elsewhere in the world. For example, the Monitoring Group received information that on 8 February 2004, businessmen Hassan Haji Ali and Osman Hashi Dini brought large quantities of weapons to Irtogte, specifically to be sold at the market. The weapons, which included AK-47s, RBJs 2 and 7 (RPGs 2 and 7) and BKMs, had been offloaded at the El Ma'an seaport north of Mogadishu.

49. Any weapons that are not available in the local market are ordered. For this kind of transaction, the ordering party is required to pay a deposit, particularly for weapons that are ordered from outside Somalia. Many of the big arms — anti-aircraft and anti-tank weapons — and associated ammunition destined for the arms markets in Mogadishu are regularly brought into Somalia from a neighbouring Gulf State by traders through the port of Boosaaso in "Puntland".

50. Weapons that are ordered from the arms markets in one of the neighbouring Gulf States are first delivered by boat to the port of Boosaaso. If the individual ordering the weapons can afford the costs, the armaments are then transported by air to an airstrip near Mogadishu. Otherwise, the armaments are transported to Mogadishu by road, by vehicles in a convoy for security reasons. The traders pay for the use of militias to escort the arms transported by road safely to Gaalkacyo, in Mudug province. At Gaalkacyo, the traders pay for Hawiye militias to transport the arms to Mogadishu by road.

51. It is normal practice for a trader to order additional weapons when placing a special order for a customer and then store them for sale in the future. Traders in the larger arms markets normally maintain such stores of arms and different types of ammunition. The types of armaments typically ordered are the following: ammunition; spare parts; anti-aircraft missiles; mines; hand grenades; and assault rifles. There is a steady flow of weapons both into and out of the arms markets. Traders in the arms market have an ongoing replacement of armaments and a regular flow of orders.

52. Warlords and businessmen order weapons from traders in the markets when they are making plans for fighting and always when they are engaged in a fight. During times of conflict, the prices of weapons are high, in the case of assault rifles and ammunition about 200 per cent of normal. It is reported, for example, that during the fighting in Mogadishu in May 2004 between warlord Muse Sudi and businessman Bashir Rage, demand for ammunition was very high. As a result, prices in the Mogadishu arms markets increased and, for example, AK-47 ammunition was selling for about $3 per cartridge and BKM ammunition for about $15 per cartridge. During the same conflict, it is reported that warlord Mohamed Dhere, a supporter of Bashir Rage, turned from being a seller of ammunition to the arms market to being a buyer.

53. Members of Somali civil society from Mogadishu have informed the Monitoring Group that they blame arms traders and the associated businessmen for promoting fights for the profits that accrue to the traders and businessmen.

54. There are two other large arms markets located north of Mogadishu which are associated with the Mogadishu markets: one in north Gaalkacyo in the central part of Somalia and the other in "Puntland" at the port city of Boosaaso. While Boosaaso

and Gaalkacyo (north) are arms markets in their own rights, they are also transit points for arms being transported from the arms markets in a neighbouring Gulf State and "Somaliland", respectively. These markets make about 50 per cent of their income from sales of weapons and spare parts and 50 per cent from commissions on movement of arms in transit to the Mogadishu markets.

55. "Somaliland" is known to have large stores of armaments left over from the past government (the government of Siad Barre). Traders from "Somaliland" are known to have been trafficking in assault rifles and anti-aircraft guns from the weapons stores of the First Division of the military of the former government. The weapons stores have come from various bases located throughout "Somaliland". Many of the weapons are sent to the Irtogte arms market. The stores of the Second Division of the former government, located in the Central region of Somalia, are being cannibalized for spare parts, which are also sold at the Irtogte arms market.

56. The financially interlinked system of arms markets generates a great deal of financial transactions and profits. There is also a financial link between Somali financial interests and activities in the Eastleigh estate of Nairobi, Kenya and this system of arms markets, including Irtogte. The arms markets system is a major financial player in the general economy of Somalia and has important implications for the region, besides feeding the armed factions and conflict in Somalia.

The Irtogte arms market

There are at least seven principal and large arms markets in Somalia: Irtogte, in south Mogadishu at the Bakaaraha market; Argentin in north Mogadishu; Kismaayo; Baydhaba; Gaalkacyo in the north of the country; Boosaaso in "Puntland"; and "Somaliland". There are also at least four smaller but significant arms markets in Mogadishu: Suuqbaad; Karan; Medina; and Huriwaa.

Traders at the Irtogte market maintain stores of weapons and are also motivated to order weapons when those stores are low. They prefer to keep their stores full, even if orders are slow. The wooden kiosks at the Irtogte arms market contain only samples of weapons available from an arms dealer. Typically, immediately behind the kiosks are single-storey stone buildings. The buildings consist of living quarters and storage areas that hold stores of weapons. As many as four or five kiosks may use a single large building.

Irtogte supplies and sells to not only satellite markets, such as Kismaayo and Baydhaba, but also all the rural areas, villages and towns in the regions of Middle and Lower Shabbelle, Hiran, Galgaduud, Bay, Bakool, Jubbada Dhexe, Sjubbada House and Gedo. Although some regions, such as Gedo, may obtain certain weapons and ammunition from a neighbouring State, for special orders, they use Irtogte. In general, Irtogte supplies south and central Somalia.

57. Traders, warlords, businessmen, individuals and businesses, such as telecommunications companies and money transfer companies, for example, buy weapons through Irtogte. It is worth noting that the businesses referred to above often maintain their own militias, complete with "technicals".[2]

Arms flow to fundamentalist groups

58. Investigation by the Monitoring Group reveals that al-Ittihad extremists and close associates are spread throughout Somalia, including in two strongholds, in particular: the Islamic/Shariah courts located in Mogadishu and Marka; and the al-Ittihad stronghold in the Raschiamboni area (Badade district, Lower Jubba region, south-eastern coastal area below Kismaayo).

59. It is reported that the al-Ittihad base at Raschiamboni acts as the command and control centre for al-Ittihad activities and operations in Somalia and the region. Its leader is Sheikh Hasan Turki. Raschiamboni is also used as a logistics/storage and training centre. Informed sources of the Monitoring Group have indicated that al-Ittihad staff/militia on standby at Raschiamboni range in numbers from 100 to 250. However, al-Ittihad's militia may total about 1,500 individuals, spread throughout Somali communities.

60. Raschiamboni is al-Ittihad's main supply centre for its operations in Somalia and the region. Al-Ittihad also provides ongoing military and terrorist training in military tactics, kidnapping, the use of arms and explosives, bomb making, communications and intelligence, and psychological training. There are at least two military training camps in the area immediately to the north of Raschiamboni, one at Burgabo and the other at Odow.

61. At Raschiamboni, al-Ittihad has a wide range of weapons available to it, including the AK-47 assault rifle, the RPG anti-tank weapon, anti-tank and anti-personnel landmines, the PKM heavy gun, explosives, various types of anti-aircraft guns — Broon 50, Dhashiike and Sekau — and man-portable surface-to-air missiles. The types of surface-to-air missile reportedly include the B5-M1, 121-DK and 6-74-88 MA.

62. Armaments for Raschiamboni have been purchased from the arms market in Mogadishu and from Kismaayo, as well as from an arms market in a neighbouring Gulf State. The Islamic/Shariah courts are closely associated with al-Ittihad. The Monitoring Group was informed that the head of an al-Ittihad religious organization purchased large quantities of weapons that were delivered to Mogadishu during December 2003. The consignment of armaments included anti-aircraft guns — Model No: DSK K-SGU, 81mm mortars, AK-47s and (a variety of) ammunition.

63. The armaments came from a large arms market located in a neighbouring Gulf State and were delivered by dhows to an area of the Somali coastline immediately north of Mogadishu, between El Ma'an and El C'ade. The armaments were provided to militiamen responsible for guarding the Islamic/Shariah courts in Mogadishu and elsewhere. The Islamic/Shariah courts maintain a strong and well-armed militia. The armaments range from small arms to technicals that are equipped with a variety of anti-tank and anti-aircraft weapons.

[2] Commercially modified vehicles (typically, land cruisers and lorries) mounted with heavy weapons.

2. Relationship between the security situation in Somalia and the violations of the arms embargo

64. The list shown below of reports of violent incidents involving the use of a wide variety of arms by an equally wide variety of individuals and groups illustrates the well-known fact that Somalia is awash with arms and there is an apparent never-ending cycle of violent and deadly confrontations. Notwithstanding the existing stores of armaments in the possession of the warlords, faction leaders, businessmen and the myriad of other actors in Somalia, the results of the work of the Monitoring Group clearly suggest a strong relationship between this cycle of violence and the ready availability of armaments offered through the large and pervasive Somali network of arms markets, with its centre at Irtogte at Bakaaraha. The Monitoring Group also feels that the existence of this network of arms markets helps to sustain the ability of all actors to engage in continued violent and deadly conflicts, such as those indicated in the table of incidents shown below. The work of the Monitoring Group further strongly suggests that one of the principal causes of the arms problem, including violations of the arms embargo, is the extensive network of arms markets and its ability to supply a steady flow of arms from outside Somalia.

Security situation in Somalia relating to violations of the arms embargo during the period April-June 2004

Date	*Events and incidents*
3 April 2004	Juba Valley Alliance (JVA) militia, with 14 technicals, have deployed to Buale. Their role appears to be to form an alliance with Ogadeni clans in the area, presumably with a view to resisting any attack by General Morgan, who is in Ceel Berde.
5 April 2004	It is confirmed that mobilization of some 86 technicals from Lower Shabelle and Mogadishu has taken place. The technicals belong to the Transitional National Government (TNG) and Sheikh Yusuf Indha Adde of Marka and Lower Shabelle. The technicals were positioned near Balidogle airport and Wanlaweyn. A further 50 armed vehicles were positioned 18 to 20 kilometres south of Jowhar in the proximity of Garsaale village. The mobilization is believed to be linked to tensions between the Mogadishu Alliance and Mohammed Dhere.
6 April 2004	Four people were killed and three wounded when militia of warlord Indha Adde engaged with alleged bandits near the village of Busley Daud in Lower Shabelle.
6 April 2004	Last week's conflict between two Wa'eysle subclans in the Bermuda area died down by the evening of Tuesday, 6 April. Reports indicate 13 people were killed and 29 wounded.
8 April 2004	During the week, at least six people were killed at the Argentin market at the Communication Center (CC) area in Kaaraan district north of Mogadishu when the newly established CC Shariah court militia exchanged fire with the special security of the market over a tax collection dispute.
9 April 2004	Heavy fighting between two subclans of the Dulbahante was reported in the Dagaag area, 40 kilometres south-west of Las Anod. The conflict originated from the killing of the Norwegian People's Aid driver in Las Anod last month.

Date	*Events and incidents*
10 April 2004	There was a serious fire in the main Bakaaraha market. At least eight people were killed and 30 wounded.
16 April 2004	An armed conflict was reported in the Kismaayo area, mainly between Jilib and Brava districts. The Juba Valley Alliance (JVA) militia fought with the Sheikhal militia in the Haramka area and at least 13 people were reported killed and 29 wounded. The Sheikhal militia destroyed two JVA army technicals. Reports suggest that the Sheikhal have received a supply of ammunition, including landmines.
1 May 2004	Four people, including one policeman, were injured in an exchange of fire in Hargeisa. The incident took place at a ridge about 4 kilometres south-west of the Mansoor Hotel and was apparently a result of an ongoing clan feud generated by a land ownership dispute.
4 May 2004	One person was killed and two were wounded at Argo, 200 metres from the compound of the United Nations Children's Fund. The dead man was identified as a Marehan and the other two were an Ogden and a Khulbante who were drinking tea when the incident occurred. During the week, JVA, who had been holding weapons for militia in the city for safekeeping, handed some 800 weapons back to their owners. This week, Sheikhal militia ambushed a minibus in Haramka. One person was killed and four were wounded.
10 May 2004	Fighting broke out in north Mogadishu between the Harti and Wabudhan subclans of the Abgaal clan. More than 50 people were killed and 200 were wounded. The fighting is the worst for almost two years.
27 May 2004	Heavy fighting was reported in several districts in north Mogadishu and between Keysaney airstrip and El-Ma'an natural seaport. Early reports suggest that 40 people have been killed in the latest round of fighting.
29 May 2004	The Luwai and Dabarre clans fought in Tugeer-Hoosley village, 30 kilometres north-east of Dinsor. The Luwai killed seven Dabarre militiamen and captured some heavy machine guns and other military equipment.
3 June 2004	North-eastern area: the car of the vice-minister of finance was shot at in Garowe town. He was not in the car at the time and the reason for the attack is not known.
5 June 2004	About 60 people were killed in various clashes in the south. The high level of insecurity is a reflection of the weakness of the authorities in the area and is perhaps an indication of the wish of various clans and subclans to take control of income from checkpoints and the like.
6 June 2004	In the north-west, government militia killed a trader in Yogori village midway between Oog and Las Anod. He had demanded payment for some items he had sold to the militiamen on credit. Instead of paying him, they gunned him down.
6 June 2004	Leysan and Hadamo clan militia clashed in the centre of Baidoa town. The fight erupted following an argument at a roadblock over the taxation of commercial vehicles. About 10 militiamen were killed.
6 June 2004	The Elay and the Garre of the Rahanwein fought again over ownership of Dodaale and Bulo-Fulay villages, south-west of Burhakaba. Fifteen combatants were reportedly killed and more than 20 were wounded.

Date	*Events and incidents*
8 June 2004	Fighting broke out in Afgoye town, Lower Shabelle region, between Murosade and Habergedir-Ayr militia of Balidogle and Afgoye. The fighting started when freelance Murusade militia were attacked and chased from a checkpoint at a bridge. Widespread fighting then started and reports suggest that at least six people were killed and 10 others wounded. The incident is of concern since it took place close to the Danile airstrip and aircraft regularly approach the strip over the town. United Nations Common Air Services for Somalia (UNCAS) aircraft have been warned to avoid overflying the area.
10 June 2004	Fighting was reported in Warder, a region of Ethiopia inhabited by Somalis. The confrontation is apparently part of a land dispute and unconfirmed reports suggest that some 40 people have been killed. Elders from both the clans involved are trying to negotiate a settlement. The dispute is unlikely to affect the operations of the United Nations in Somalia.
14 June 2004	Dulbahante clansmen took and looted a vehicle hired by the World Food Programme (WFP) from WFP staff on the food distribution exercise in Sool. The vehicle was returned after two hours after "Puntland" forces overpowered the looters.
14 June 2004	The conflict between Marehan subclans erupted again in Bulla-Hawa district of Gedo region. On 8 May, the Rer-Ahamed-Eldere-JVA alliance and the Rer-Hassan-Horersame-Somalia Reconciliation and Restoration Council (SRRC) alliance fought each other in Bulla-Hawa. Heavy guns, vehicle-mounted machine guns, RPGs and light weapons were used by both sides. About seven people were killed and 15 others were wounded.
27 June 2004	Militiamen led by Botan Issa Alin attacked about 320 former soldiers of the Somali army located at a former army barracks, situated on the outskirts of Mogadishu along the Mogadisu-Balad road. At least 15 former soldiers were killed and 12 were wounded. The warlord took over the barracks claiming that the former army had no right to maintain the barracks. It appears that the soldiers were in the barracks with a view to playing a role in any government emerging from the Mbagathi process.
28 June 2004	The mayor of Boosaaso was shot dead by gunmen outside his offices. The perpetrators have not been arrested and the motives for the attack are not clear.

Source: Office of the United Nations Security Coordinator (UNSECOORD), Nairobi.

3. Arms flow to Somalia from the west

65. There have been persistent reports of arms coming into Somalia from the west across the Ethiopian border. The indications are that some weapons and arms traffic may be organized by some of the local military officials along the border, purely for financial gain. In addition, because of the porous borders and the heavy human traffic across this border, weapons and arms are also brought into Somalia by Ethiopian Somalis on a small-scale basis.[3]

[3] Based on interviews with Somali warlords and civil society representatives, the following border towns are transit routes for arms: Ceel Barde, Feefeer, Yeed, Doolow, Galdogob and Borama.

4. Arms flow out of Somalia

66. The Monitoring Group has learned from multiple sources along the Kenyan/Somali/Ethiopian borders, of a steady clandestine flow of arms into Kenya from Somalia. The sources had noted that in and around the Dadaab refugee camp, located in Kenya between Garissa and Liboi near the border with Somalia, armed and masked individuals or groups of people routinely intimidate and threaten the occupants of the camp and extort foodstuffs, medicines, valuables and other items from them. The majority of these gunmen, or *shifta*, as the Somalis call them, move easily in and out of the camp and just as easily in and out of Kenya and Somalia.

67. The sources have identified many of these gunmen as Somali militia of the Ogaden clan (Darod clan group) who engage in hostilities in Somalia. Some of the sources insist that the militiamen also engage in forms of military training in the Dadaab area and in Somalia on a regular basis. According to one of the sources, on two separate occasions in the past 15 months — most recently in April 2004 — groups of about 150 armed and masked individuals have been seen moving in military style through the desert during night hours, in the proximity of the camp. The source also noted that, on both occasions, among the weapons carried in the group was a man-portable shoulder-fired missile that he described as a SAM-7.

68. In addition, it was noted that traders and other individuals readily traffic in small arms in and around the camp. It was also reported that a portion of the weapons being sold, including pistols, AK-47s and light machine guns, came from Ethiopia and were brought into Somalia for sale in the border area of Kenya.

69. The Monitoring Group learned that arms are routinely, regularly and continuously smuggled across the borders of Somalia and Ethiopia into Kenya by traders and other individuals. The quantity of arms smuggled on any single occasion varies from a single weapon to up to as many as 15 guns. The arms trade along the border is a business that helps to provide revenue for people who live along the border and elsewhere in Kenya, Somalia and Ethiopia.

70. It is important to note that, on the basis of the investigations of the Monitoring Group, Somalia is not the only source of weapons and ammunition coming into Kenya. The Monitoring Group learned that other neighbouring countries are involved in trafficking arms and weapons into Kenya. However, it appears that the same conduits or similar conduits are used for the Somali arms traffic.

71. The traders and individuals involved in the weapons trade often have dual or triple nationalities, including Kenyan, Somali and Ethiopian. Regardless of their respective nationalities and the multiple forms of identity in their possession, they often also possess Kenyan identification of some sort which allows them to pass easily through the official checkpoints at the border. They may also possess Office of the United Nations High Commissioner for Refugees (UNHCR) documents identifying them as refugees, which further allows them freedom of movement in the border areas. Therefore, it appears that some refugees are flagrantly abusing their refugee status. With the exception of a few official border checkpoints, the area surrounding the above-mentioned locations along the Kenyan/Somali border is often not controlled by the Kenyan authorities and is easily crossed without official detection.

72. According to the Group's sources, Somalis with Kenyan identification travel from Nairobi to the border areas to purchase smuggled arms and bring the arms back

to Nairobi for sale. In either case, the weapons are transported to Nairobi by bus or private vehicle. The arms are often dismantled into their main component parts for ease of transport and hidden in the vehicle transporting them. En route, the vehicles carrying the arms pass through five police checkpoints.

73. At these checkpoints, some police officers either solicit bribes or are pre-emptively offered bribes by these individuals clandestinely transporting the contraband; the police accepting the bribes often do not know that the person paying the bribe is moving arms. In some cases, however, the Kenyan authorities are overwhelmed by the volume of vehicular traffic and there are simply not enough police officers at a given checkpoint to handle all the traffic effectively. As a result, weapons traffickers pass through the checkpoint without paying anything. The weapons then complete their journey to Nairobi and typically end up on the clandestine weapons market in the Somali community of Eastleigh in Kenya.

B. Financial aspects of the arms market in Somalia

74. This section of the report describes the main source of finance that currently fuel the conflict. They are arms trafficking (as mentioned above), currency printing, the illegal use of money transfers or remittance, revenue from the khat trade, revenue from other forms of trade, airport taxes, seaport taxes, other taxes and ransom from kidnappings. It also describes the importance and dynamic interaction of the individuals involved in the overall financial scheme and traces the relationships between individuals or factions, specifying their location or range of operations in Somalia, where possible.

75. The flow of money to sustain the conflict in Somalia is associated with the interests of factions, groups or individuals. The motives for seeking financial resources are either political or economic. The complexity of the situation with regard to financial resources has increased owing to two factors. Firstly, there has emerged a new class of businessmen who, in order to protect their investments, have armed their own militia or made agreements with the warlords to whom they provide funds. Secondly, there is greater access to telecommunications and information technology, which keeps people abreast of news, business and markets.

Correlation between finance and the flow of arms

There is a dynamic relationship between the flow of arms and finance. On the one hand, profits obtained from a wide variety of commercial activities and some illicit activities such as trade in contraband goods, currency printing, the khat trade, drug trafficking, the charging of fees at airports and seaports and other taxes, and ransom from kidnappings, are used for the purchase of arms. At the same time, arms are sold to generate funds to support the conflict. This system is characteristic of a money-laundering scheme.

For example, to have a convincing army to engage in a confrontation it is estimated that it may take US$ 600,000. The cost of a first-class technical is about $30,000. This includes a two-year-old pickup truck, two 45-calibre machine guns and 30 militiamen. A small army may consist of 30 to 50 technicals. A warlord or businessman who can have up to 100 technicals is considered powerful. The approximate cost of a fight is $40,000 per day; the salary paid to each militiaman varies between $3 and $5 per day.

Arms and ammunition are sold in exchange for cash. They are like money in the bank. Bakaaraha market in Mogadishu, which is interconnected with the markets in Hargeisa, Boosaaso and Kismaayo, acts as an informal regulator of prices and rates for arms trafficking and other illicit activities.

Proceeds from arms trafficking are invested in the purchase of goods and commodities in foreign countries. These goods and commodities are smuggled into Somalia and neighbouring countries. The means of moving the illegal funds may include making deposits in foreign banks, currency transporting, the use of money exchanges, and alternative remittance systems. When the money is cleared it is reinvested in the purchase of more arms, goods and commodities, starting the cycle all over again.

1. Currency printing

76. Currency printing continues to be one of the largest sources of supply of money to the factions. Over the past 10 years, at least six major orders of counterfeit Somali currency have been placed in foreign countries, some of them leading to the flooding of the Somali economy with banknotes. Although, at the beginning, currency printing was used by a few individuals, its profitability has now attracted groups of businessmen and warlords who undertake joint operations to place orders for currency printing overseas. The previous Panels of Experts mentioned in their reports the individuals and methods used to obtain these funds.

77. For example, in October 2003, a new order to print Somali shillings was placed by the authorities of the Central Bank of "Puntland". At that time, Ismail Warsame and Sahid Dahere were allegedly in charge of establishing contacts in foreign countries for this purpose.[4] It is believed that the order was placed by four

[4] Interview with a UNDP Somalia officer, Nairobi, 26 April 2004.

businessmen, Abdurashid Iiqayte, Abukar Omar Adan, Bashir Rage and Mohamed Nur Garesh, with an Asian Security Printing and Minting Co. The amount ordered, however, remains unknown and delivery has not been confirmed.

2. Money transfers

78. According to various sources interviewed in the neighbouring countries of Somalia and the United Arab Emirates, since the collapse of the Central Bank and other banking institutions in Somalia, remittances have been the only means of subsistence for a large number of Somalis and a tool for trade and investment. Studies on the size of the remittance sector in the Somali economy suggest that the amount of money transferred may vary from $700 million to $1 billion annually. Based on these figures, and in comparison with the potential of the livestock export market, estimated to be $120 million during the period September 2000-September 2001, the remittance sector is currently the backbone of the Somali economy.

79. It has been said that at the very beginning of the conflict in Somalia the remittance system may have been used to send money to support the various factions. However, over time and due to close monitoring of their activities in the countries where these factions operate, particularly after 11 September 2001, measures such as registration or licensing have been reinforced by financial authorities in various countries with the objective of increasing the compliance of money transfers with international and national regulations and avoiding their being used for illegal purposes.

80. In spite of this, the remittance or money transfer system still has loopholes that may be used by warlords and businessmen as a means to transfer money arising from illicit activities. This money is not only used to purchase arms, but also to carry out related tasks, such as paying militias who provide protection for the distribution of khat.

81. Difficulties in tracing the real identity of the remitters or receivers, the absence of records or their inaccessibility to the authorities underline the inconveniences presented by the remittance system. Deficient record-keeping systems make it almost impossible to trace funds when a transaction has taken place. The remittance system may be used to commit illegal or criminal activities, which include arms trafficking, tax evasion, financial fraud, drug trafficking, fraudulent payments and smuggling of immigrants.

82. To investigate this matter further, the Monitoring Group held interviews in Dubai, the United Arab Emirates, with representatives of the Somali remittance companies based there. They have been taking steps to enhance their compliance with the regulations of the host country by creating an association that acts as a self-regulatory body, provides training to its members and promotes advocacy, networking and information-sharing.[5]

3. The khat trade

83. Trade in *Catha edulis forsk*, also known as khat in Arabic or *miraa* in Kiswahili, has been an object of study in the reports of the previous Panel of Experts. For the purpose of the Somali conflict it may be analysed from three

[5] Interview with representatives of the Somalia remittance business, Dubai, United Arab Emirates, 19 April 2004.

perspectives: as a source of revenue for the warlords who own airstrips and charge landing and other fees; as a source of income for the business people, either wholesalers or retailers, directly associated with its distribution; and from the perspective of the end users, the consumers.

(a) *Khat as a source of revenue for the warlords who own airstrips and charge landing fees*

84. Owing to the short shelf life of khat, shipments of it are supposed to be loaded, transported and distributed to their final destination on the same day, so as to ensure its freshness. For example, on average, one company may charter seven to 10 aircraft every day from Wilson airport in Nairobi to Somalia, each carrying 2,000 kilograms of khat. This means that 14,000 kilograms of khat are exported to Somalia each day. The company charges $6,500 per flight, which includes payment of the landing fee, the salary of the pilot, fuel and any other expenses. The value of 2,000 kilograms of khat is $7,000, that is $3.5 per kilogram. The destinations of khat in Somalia are Galkayo, Beledweyne, Baidoa, Bardheere, Kismaayo and Boosaaso. The landing fee for aircraft in Somalia is $200. A larger aircraft may be charged up to $400. The cost of providing security for the aircraft is $150.[6]

(b) *Khat as a source of income for the distribution network*

85. In Somalia there is a well-organized network of wholesalers and retailers in charge of the distribution of khat throughout the country. Some estimates indicate that the khat market in Somalia accounts for $180 million per year, of which $60 million are derived from the khat trade in the north of the country, which is supplied from Ethiopia, and $120 million from trade in the south, which is supplied from Kenya. The retailers are mostly women. A conservative estimate puts the number of retailers involved in the distribution of khat at 2,000.

(c) *The consumers of khat*

86. The consumption of khat has a considerable economic impact. Most militiamen need to spend $1.75 per day to consume khat. This amount is distributed as follows: $1 to buy khat; $0.25 to buy a cigarette; $0.25 for water and $0.25 to pay for a seat at the place where the khat is chewed. Considering the fact that most of them get paid between $3 and $5, this means that between one third and half of their income goes to the consumption of khat. Some sources have estimated that the Somali population spends up to $300,000 on Kenyan khat a day.

87. It has been observed that the khat trade perpetuates the conflict directly, by being a source of income for faction leaders or businessmen, not only those who benefit from fees collected for the use of the airstrips but also those who are directly involved in the purchase and distribution of khat. Consumers, however, represent the final link of that chain and should, therefore, be taken into account in the description of the manner in which the consumption of khat contributes indirectly to the conflict, with devastating economic and social repercussions.

88. The consumption of khat poses health problems that are linked to its psychoactive ingredient. Khat leaves contain cathinone and cathine. It has been established that cathinone has a high potential for abuse. It is believed that regular

[6] Interview with the Chairman of Knight Aviation Limited, Nairobi, 3 June 2004.

consumption of khat causes dependence. Other significant toxic effects include high blood pressure, tachycardia, reactive depression, migraine, erectile dysfunction and low birth weight in babies born to khat-chewing women. The consumption of khat is associated with a variety of social and economic problems that affect consumers and their families.[7]

89. Social ills such as high school drop-out rates, child labour, violence, crime, insecurity and HIV/AIDS have been linked to the farming, distribution and consumption of khat. A recent study indicates that khat abuse is the cause of the mental illness of many militiamen in Somalia.[8]

4. Income from trade and contraband

90. Owing to its strategic location in the horn of Africa and its proximity to the Middle East and other Asian countries, Somalia is a commercial hub that supplies 800 million consumers all over Africa who demand a wide variety of goods, such as clothing, electronic appliances, vehicles, telecommunications equipment, computers, alcohol and cigarettes.

91. Money obtained from drug trafficking and the sale of arms is used to purchase goods overseas that are smuggled into neighbouring countries without taxes or duties being paid. The businessmen involved in such operations realize high profits in a classical money-laundering scheme.[9]

(a) The contraband goods market

92. The goods mentioned above are smuggled from some Gulf and Asian countries into Somalia without payment of import duties. In addition to the cost of the goods and of transportation, whenever a port is not controlled directly by them, businessmen pay a fee for the use of the facilities to the warlord. Income generated from these activities at the port of Boosaaso, for example, amounts to $100,000 a month, while income generated at the port of Kismaayo is $200,000 a month. It is estimated that the consumer market in Somalia is worth 1.5 million dollars, with profits of $5,000 to $10,000 per day. This amounts to $300,000 a month and $3.6 million per year.

93. Such considerable financial capability makes businessmen comfortable with the status quo of the market situation in Somalia. They have the capacity to hire up to 1,000 militiamen in one day and to turn confrontation on and off as they wish. They are 10 times stronger in military and economic terms than the warlords. Given this situation, it is not difficult to understand why militiamen prefer working for them rather than for warlords or faction leaders, since they are effectively paid at the end of the day.

94. The contraband-finance-arms cycle would not be complete without a money-laundering operation in which businessmen use banks in the neighbouring States

[7] World Health Organization Expert Committee on Drug Dependence, Thirty-third Report, Geneva, Switzerland, 2003.

[8] "War trauma, khat abuse and psychosis", research conducted by the German Technical Cooperation (GTZ), Nairobi, 2003.

[9] According to FATF, money-laundering is defined as the processing of criminal proceeds to disguise their illegal origins. Illegal arms sales, smuggling, drug trafficking and other illicit activities can produce large profits and create the incentive to "legitimize" the ill-gotten gains.

and in the Gulf States as money-laundering centres. They invest their capital in buying goods that will be smuggled into and out of Somalia to Ethiopia, Djibouti, Kenya and other countries in eastern Africa. As payment for the commercial operation, they receive Somali shillings that will be exchanged in Somalia into dollars that will be deposited in bank accounts.

(b) The sugar market

95. It has been reported that sugar imported into Somalia from South America was smuggled into neighbouring countries in East Africa in March 2004. In addition, an apparent increase of smuggled sugar in Kenya has been noticed since the Government was granted a one-year extension in 2003 by the Common Market for Southern and Eastern Africa (COMESA) on the right to levy duties on sugar to fend off massive inflows of cheap imports from other members of the trading bloc. Sugar was smuggled through the Kenyan border with Somalia and sold at very low prices compared with the prices on the local market. The Kenyan customs authorities have acknowledged recent seizures of sugar, allegedly smuggled from Somalia.

96. Businessman Abdiriham Borre has been mentioned as the person who imports sugar from South America and as having appointed Mohamed Deylaf as his distributor in Mogadishu for countries in East Africa. Other businessmen said to be involved in the sugar trade are Bashir Rage and Musa Sudi Yalahow. The latter is known to have received a shipment of sugar and sold it in order to purchase arms.

(c) The banana market

97. The banana trade is gaining importance among the businessmen who control this export market. Banana plantations in Somalia are found in Lower Shabelle district in southern Somalia. The control of the region has been a source of confrontation since the middle of 1990. The fact that the European Union provides preferential market access to African banana suppliers makes the business quite profitable, which is why there have been recent confrontations to gain control of the area and consequently to monopolize the export market. The businessman associated with the exportation of bananas is Abdurashid Ilqayte. He operates in southern Somalia and earns a great deal of money from banana exports. It is estimated that he exports 90,000 boxes of bananas every month. Apparently, the person in charge of arranging the contracts for banana exports is Ali Bashi, while Abdulahi Addou is in charge of receiving the money. Abdurashid Ilqayte has military capability and is also involved in other businesses, such as currency printing, drug trafficking, real estate and investments in foreign banks.

(d) Other markets

98. The issuing of fishing licences and income earned from exports of tuna and shark fins, whose market price may be as high as $150 per unit, is a significant source of income in the northern region of the country, specifically in "Puntland". It is estimated that 300 tons of fish are exported through the port of Boosaaso per month. In addition, forged passports, visas, property titles and arms certificates are available at Bakaaraha market in Mogadishu and are a source of income. Charcoal is exported through the port of Kismaayo and is a source of funds for the warlords in control of the region.

(e) Drug trafficking

99. Hashish from an Asian country is smuggled into Kenya and Tanzania on Somali vessels and small boats. Some of the warlords said to be involved in this trade are Mohamed Qanyare Afrah, Hassan Mohamed Nur Shatigadud, Osman Hassan Ali Atto and Mohammed Said Hersi Morgan. Information indicates that they recently exported more than 400 kilograms of hashish to neighbouring countries. There has also been information about marihuana plantations in Camba, Jilib and Merere in the Juba Valley region.

(f) Airport, seaport and other taxes

100. Airports and seaports have been considered in previous Panel of Experts reports as part of the origin of financial resources for the conflict. Since various warlords and businessmen are in control of airports and seaports, they charge fees to traders for their use and collect revenue from them. It is reported that some of the individuals involved in this business are: Mohamed Qanyare Afrah, in control of Daynille airstrip, who collects $5,000 per day; Abukar Omar Adan and Bashir Rage who control El Ma'an port; and Abdullahi Yusuf who controls the Boosaaso seaport. It is interesting to note that Mohamed Dhere allegedly collects a birth tax in the region under his control. Families must pay 1,000,000 Somali shillings (approximately $44) every time a male child is born and 50,000 for female children.

(g) Kidnapping

101. Motives for kidnappings in Somalia may vary from political to economic. Economic motives appear to be the most common, of which kidnappings to ensure the repayment of a khat debt or abductions to obtain money to sustain a two-day confrontation are examples. The amount demanded in ransom varies from $10,000 for a local Somali to up to $80,000 for a foreigner, especially the employee of any international organization. Two individuals nicknamed Furuh and Haraanku Nah have reportedly been demanding such amounts. Information indicates that early this year Mohamed Dhere was paid a ransom of $1.2 million to free an abducted person. Osman Ali Atto is also alleged to be involved in kidnappings.

III. Cooperation

A. Cooperation with international, regional and subregional organizations

102. During the period of its mandate, the Monitoring Group was very cognizant of the need to cooperate and work closely with several international, regional and subregional organizations. In this regard, the members of the Monitoring Group collectively or individually visited the following organizations: the League of Arab States (LAS); the Intergovernmental Authority on Development (IGAD) Facilitation Committee for the Somalia National Reconciliation Conference; the African Union; the International Maritime Organization (IMO); the World Customs Organization (WCO); the European Union; and several United Nations agencies in the region, Europe and the United States of America.

1. The African Union

103. The Monitoring Group is working closely with the African Union to coordinate a follow-up mission for the Monitoring Group to Somalia after the second reconnaissance mission of the African Union. The Monitoring Group met with the Commissioner for Peace and Security of the AU, Mr. Said Djinnit, and his staff on 10 June 2004. Mr. Djinnit pointed out that the AU fully supported the efforts of the United Nations and the Monitoring Group with regard to Somalia. He noted that the issue of the arms embargo on Somalia was important to the African Union and was reflected in the decisions and agendas of the Assemblies of Heads of State and Government.

104. The African Union has developed a draft proposal for the setting up of an AU military observers mission for Somalia and maintains that its role is to cooperate with the United Nations and to ensure that the effort of the United Nations succeeds. The Monitoring Group has noted the suggestion of the AU that there is a need to have monitoring units in the neighbouring countries, at border and customs controls and along the Somali coastline.

105. The Assembly of Heads of State and Government of the AU, meeting in early July 2004, expressed its appreciation for the work being done by the United Nations Monitoring Group established pursuant to Security Council resolution 1519 (2003) of 16 December 2003 and urged the Monitoring Group to continue its inquiry into ongoing violations of the arms embargo and to explore the possibility of deploying a monitoring mechanism along Somalia's seafront, airspace and borders, as a measure to strengthen the implementation of the arms embargo.

2. The League of Arab States

106. The Monitoring Group met with representatives of the League of Arab States (LAS) in Cairo on 13 April 2004. The representatives of LAS reiterated its commitment to supporting the arms embargo and to providing financial support when necessary. They maintained that no funds had been made available to the Transitional National Government (TNG) since the last $1 million disbursed in August 2003. They admitted paying for hotel accommodation for some of the TNG leaders while in Cairo for meetings. The LAS had also sent medicines and doctors to Hargeisa, "Somaliland". It had identified a focal point to coordinate its activities regarding the Somalia arms embargo with the United Nations.

3. The European Union

107. In the report of the last Panel of Experts (S/2003/1035), there was a recommendation for the installation of radar to assist in positively identifying aircraft in the Somali airspace. On 26 and 27 May 2004, the Monitoring Group presented this recommendation to the European Council and the European Commission as a potential project. In principle, both the European Council and the European Commission supported the concept of developing a project out of this recommendation. It was suggested that it should be tied to the peace process as a development and safety and security project. It was also suggested that a project document should be developed.

4. The International Maritime Organization

108. The creation of a caretaker marine authority for Somalia was discussed with International Maritime Organization (IMO) officials in London on 25 May 2004. It was noted that in 1998 a study had been conducted to assess the feasibility of such an authority. At the time, this had been considered unfeasible, for the following reasons, inter alia: the existence of the necessary support for that type of operation was doubtful; insecurity and instability ashore would make the maintenance of security at sea impossible unless countries with suitable naval capacity were prepared to patrol the area; IMO was a regulatory organization and did not have the capacity to play an operational role in such a situation; support was needed from other countries, such as the United States of America, France, Germany and the United Kingdom of Great Britain and Northern Ireland; and the proposal would entail air and sea patrols and the implementation of security measures in Somali ports and coastal waters.

109. At the meeting with IMO officials, it was decided that IMO could only play a consultative role. In this regard, IMO will support and endorse capacity-building and safety-related projects for Somalia. IMO agreed that something needed to be done urgently in terms of maritime and port security, including with regard to piracy and armed robbery on ships, and in terms of search and rescue services for Somalia. The issue of a caretaker marine authority for Somalia can be revisited when the security situation in Somalia improves.

5. The World Customs Organization

110. The Monitoring Group visited the World Customs Organization (WCO) headquarters in Brussels. Discussions were held regarding the possibility of cooperation aimed at the effective implementation of the arms embargo. WCO officials expressed their willingness to cooperate with the Monitoring Group in calling upon the customs administrations in the region to enhance their border controls. The Monitoring Group and the WCO officials agreed that a memorandum of understanding between the United Nations and WCO should be signed in the future concerning cooperation in the areas of enhancement of border controls, information and intelligence exchange and sharing, and a capacity-building programme to train customs officers. The possibility of using the WCO Diagnostic Framework tool to assess and review the customs administrations in the region was also discussed.

B. The arms embargo and the front-line and neighbouring States

111. This section of the report focuses on paragraph 2 (d) of the mandate and the impact of some of the front-line and neighbouring States of Somalia on the flow of arms and weapons into Somalia. Under paragraph 2 (d) of Security Council resolution 1519 (2003) the Monitoring Group was required to assess the progress made by the States in the region to implement fully the arms embargo, including through a review of national customs and border control regimes. The content of this section is also based on paragraph 2 (c) of the mandate, which required field-based investigations in the front-line and neighbouring States.

112. The Monitoring Group visited the front-line and some neighbouring States. Meetings and interviews were held with the relevant authorities during these visits,

in addition to follow-up discussions thereafter. The purpose of the visits was to follow up on investigative leads based on the findings of the reports of the last two Panels of Experts and to collect first-hand information on the flow of arms to Somalia from or through some of these States.

113. It is important to note that throughout its investigations the Monitoring Group did not come across or have any concrete proof (information supported with documentation) that any of the States were directly involved in or directly approved the transfer or the trafficking of arms and weapons into Somalia during the period of the mandate, although lack of proof does not necessarily imply the absence of a link or connection in this regard.

114. On the basis of the investigations, however, it is apparent that some individuals and groups in some of these States are involved in the transfer and trafficking of arms and weapons into Somalia. These violations of the embargo may be taking place with or without the knowledge of the concerned States.

115. While all the States claimed to have taken measures to enforce the embargo, most of them did not provide the Monitoring Group with documents to support their claims. In the absence of supporting documents, it is difficult to assess the measures taken adequately. The Monitoring Group, however, attempted to assess the effectiveness of the measures taken by the States by observing loopholes or weaknesses in some of these measures. On the basis of these observations, it is fair to say that the effectiveness of these measures is only as good as the degree of implementation and enforcement.

1. Djibouti

116. With regard to the enforcement of the arms embargo, Djibouti claims to have instructed port, airport and customs officials on the need to enforce the arms embargo. Djibouti would welcome any assistance that could enhance its ability to enforce the arms embargo. It claims to have taken other measures to improve its enforcement of the arms embargo. However, no document to this effect was provided to the Monitoring Group.

117. As part of its efforts to enforce the embargo, the port of Djibouti has scanners that scan all containers for its domestic market. In addition, the port of Djibouti is preparing to be compliant with the International Ship and Port Facility Security Code by July 2004. However, there are independent Ethiopian customs officials at the port responsible for clearing all incoming goods for Ethiopia. Djibouti port is a major seaport in the Horn of Africa. About 80 per cent of incoming cargo at the port is in transit to Ethiopia. The customs authority claimed that there was no official trade between Djibouti and Somalia.

118. Dhows are the main problem for the Djibouti port officials. Dhows are generally unregulated and are known to be involved in the smuggling of cigarettes, liquor and other items; there is no certainty that they carry arms, although this is also possible. The dhows sail to Somalia, Yemen, Pakistan, India and the Gulf States. There are only two registered ships in Djibouti that sail to Somalia.

119. Djibouti considered the presence of the Joint Task Force along its coastline to be a major deterrent to potential violators of the arms embargo. The recent crackdown by officials in the United Arab Emirates on Somali air transport operators has made Djibouti airport a major hub for Somali air passengers in the

region and in Europe. For example, the prohibition of all IL-18 aircraft for the transport of passengers to and from the United Arab Emirates has made some Somali air transport operators stop operating from the United Arab Emirates. Jubba Airways, for example, which used to operate from the United Arab Emirates, has now moved to Djibouti, bringing the number of scheduled air transport operators to Somalia from Djibouti to three (Daallo, Air Djibouti and Juba). It is conceivable that this number may increase in the future.

120. The airport is in the process of acquiring a scanner for air cargo. Djibouti maintains that it has no information on arms movement from its borders to Somalia. The Djibouti Civil Aviation Department is grossly understaffed and in dire need of technical assistance in the areas of licensing, airworthiness and flight operations. In spite of its limited resources, the Djibouti Civil Aviation Authority has been very cooperative in terms of providing data to the past Panels of Experts and to the Monitoring Group.

121. Given the current limited technical capability and resources of the Djibouti Civil Aviation Authority, Djibouti International Airport could easily be used by some violators of the embargo to transport arms to Somalia by air. The Monitoring Group, for example, is in possession of a forged air operator's certificate (AOC) allegedly issued by the Minister of Air and Land Transport of the Transitional National Government to one of the Somali air operators. In the first place, the Transitional National Government does not currently have the technical capacity to issue an AOC.[10] Most importantly, however, when the AOC was shown to the Minister of Air and Land Transport of the Transitional National Government, it turned out that, although the name on the certificate was his, the signature was not his. A copy of the certificate is attached to the present report as annex II.

122. This situation could easily become commonplace for air operators without the requisite documents and qualifications who would like to operate out of some of the States in the region. Naturally, States with limited civil aviation technical capabilities could easily become targets. There is, therefore, a compelling need to provide technical assistance to enhance the capability of the Djibouti Civil Aviation Authority so that it can enforce the arms embargo effectively.

2. Egypt

123. The Monitoring Group visited Egypt from 13 to 16 April 2004. During this period the Monitoring Group met with the Assistant Foreign Minister and the heads of the various ministries and departments appropriate for its investigations. Egypt claims to have no official trade with Somalia and no air or sea traffic to and from Somalia. The Egyptian Civil Aviation Authority claims that all flights to and from Afghanistan and Somalia are prohibited from the Egyptian airspace. During the mandate of the last Panel of Experts, there were reports of several Somalia-bound aircraft overflying the Egyptian airspace. The Egyptian officials, however, claimed that since the beginning of this year they had not received any flight plans to Somalia or any request for overflight permits from Somalia-bound aircraft.

124. The Government of Egypt was more concerned about the difficulties encountered by the Monitoring Group in carrying out its mandate. The Government

[10] According to ICAO and CACAS, based on a meeting held on 27 April 2004, also with the Minister of Air and Land Transport.

was not aware of any violations of the arms embargo and would do whatever it could to enforce the arms embargo effectively. However, as was the case for most of the States visited, no document to support this statement was provided to the Monitoring Group.

125. The Egyptian customs administration claimed that it had no official trade with Somalia and has made no seizures of arms or related items; only a case of smuggling of counterfeit money destined for a foreign country has been identified. It plans to have a satellite-based tracking system installed at its major customs control area.

126. Over the past two years, the Government of Egypt has made efforts to combat money-laundering. There are indications that some progress has been achieved in this area. For example, Law 80 of 2002, amended by Law 78/2003, has been issued in this regard. There is a joint effort among law enforcement authorities, particularly the Office of the Public Prosecutor, and financial institutions.

127. The financial authorities have deployed an anti-money-laundering unit that acts as an independent organ of the Central Bank. The unit has five departments that work as a comprehensive system, using Oracle 9i database and five different forms that financial institutions must fill in to report suspicious activities to deter illegal transactions. Cases related to the smuggling of antiques and currency have been detected and prosecuted. According to the officials, none of these cases involved Somalis or companies doing business in Somalia.

3. Eritrea

128. Eritrea claims it has a moral obligation and determination to see a peaceful Somalia and would therefore ensure that the arms embargo was fully enforced. Although previous reports have accused Eritrea of supporting some faction leaders, Eritrea claims that it is morally difficult for it to support any individual faction leader in Somalia because during its war with Ethiopia all the current leaders supported Eritrea. It claims it has no trade with Somalia and no air or sea transport links and is not aware of any incidents of violation of the arms embargo within its borders. As far as it is concerned, Eritrea has taken measures to enforce the arms embargo. However, no document to this effect was provided to the Monitoring Group.

129. The port of Asab is currently not in use. Only the port of Massawa is in use; it serves Eritrea and the Sudan. The Monitoring Group visited the port of Massawa during its visits to Eritrea. Most of the ships at the port come from the United States of America, Europe, Dubai, Jeddah and the Far East. Cargo mainly consists of building materials, grains and machinery. The major ship movements are between Jeddah and Dubai. Eritrea has four ships and, according to the Government, dhows that are not registered are not allowed to call at its ports or come close to its coastline.

130. As a result, it is claimed, there is very limited dhow traffic and most of the traffic is mainly for fishing. Although Eritrea claims that there is no trade between it and Somalia, upon inspection of the records at the port, it was discovered that on 6 January 2004, two Somali-registered boats, Hunter I and Hunter II, docked at the port of Massawa. It was reported that these were fishing boats. The Monitoring

Group is still investigating to determine the exact port of origin in Somalia and the nature of their operations.

131. There is no air transport service between Eritrea and Somalia. The only airline that used to operate from Eritrea to Somalia, Daallo Airlines, ceased operating several months ago. The Monitoring Group's investigations and the current records of the Civil Aviation Caretaker Authority for Somalia (CACAS) did not reveal any aviation activities between Eritrea and Somalia.

132. The Customs Department of Eritrea is under the Ministry of Finance. New customs regulations were enacted at the end of 2000. The Government is currently working with the Common Market for Eastern and Southern Africa (COMESA) to restructure the Customs Department. Its customs administration intends to adopt the Automated System for Customs Data (ASYCUDA) computer system in the near future. There are about 300 to 400 customs officers and about seven or eight customs stations in the country. The Customs Department currently lacks qualified officers, inspection equipment and information exchange capability.

4. Ethiopia

133. Despite repeated reports and rumours during the period of the Group's mandate of arms coming from Ethiopia by road into Somalia, Ethiopia officially claimed that as far as it was concerned, there had been no violations of the arms embargo from Ethiopia or by groups within Ethiopia. According to Ethiopia, there were illegal movements of goods from Somalia into Ethiopia. These illegal movements of goods were primarily for the purpose of evading customs duties. Ethiopian officials admitted, however, that some of the border posts with Somalia were poorly manned, understaffed and poorly equipped. With regard to violations of the arms embargo, Ethiopia believes that there is a need for closer coordination between countries in the region.

134. The Monitoring Group, however, received contradictory information during the period of the current mandate regarding the activities of Ethiopia's military on the territory of Somalia, and allegations of the supplying of arms to Somali warlords. The Monitoring Group visited Ethiopia and held meetings with various government officials during the week of 15 March 2004. During the meetings with Ethiopian government officials, the Group was categorically told that Ethiopia did not supply arms to Somali factions and that its military did not conduct operations inside Somalia.

135. Moreover, during June 2004, the Monitoring Group received information from the representatives of some Somali faction leaders and warlords that during the previous 18 months Ethiopia had not provided weapons or other military support to any Somali faction. In addition, the representatives informed the Group that information, particularly that published in the media regarding the provision of armaments to Somali warlords by Ethiopia, had been provided by their enemies [11] They claimed these were fabrications by their enemies, to mislead and to confuse regional and international actors interested in pursuing the Somali peace process.

136. Prior to the visit of the Monitoring Group to Ethiopia, the Monitoring Group was informed by numerous sources (warlords, representatives of regional organizations and members of Somali civil society) that Ethiopia supplied Somali

[11] Interviews with representatives of Somali warlords and faction leaders.

warlord Mohamed Dhere, General Morgan and Sheik Adan Madoobe with shipments of ammunition and small arms.

137. Specifically, sources from within Somalia provided information concerning two alleged shipments of arms by Ethiopia to Mohamed Dhere. They claimed that the first shipment arrived between the end of February and the first week of March 2004. According to the information, Dhere received a shipment of arms consisting primarily of ammunition, including AK-47s and PKMs; light weapons and mines were also included. The arms were transported by road from the Somali/Ethiopian border. Vehicles belonging to Dhere were used, escorted by his militias and technicals. It was reported that the arms came from a weapons storage depot located at Gode, Ethiopia.

138. According to the same report, the second shipment arrived about mid-May 2004. It was transported by air to Johwar airport. Delivery of this shipment was linked to the fight between Bashir Rage (a Mogadishu businessman) and Muse Sudi (a Mogadishu warlord and businessman). The shipment consisted mostly of ammunition and some light weapons. The sources stated that they had seen the armaments that had been received by Dhere. The sources further advised that warlords or those closely connected with him would not speak of the shipments because they knew they were a crime (a violation of the arms embargo). However, during an interview with Dhere by the Monitoring Group,[12] he flatly denied these allegations. He said that his enemies, who wanted to mislead the international community about their own activities in Somalia, were spreading the stories. He claimed that those activities involved violations of the arms embargo and cooperation with some fundamentalist groups. He admitted that he had arms but claimed that the arms were securely stored and only used for self-defence.

5. Kenya

139. The Customs Department of the Kenya Revenue Authority has become very aware of the current security situation, both internationally and regionally. Customs officers are being trained to pay more attention to security and border protection issues. Furthermore, the Customs Department is a permanent member of the newly established National Anti-Terrorism Centre. However, revenue collection is still the top priority among the functions of the department.

140. The most difficult border area for customs enforcement is the area along the border with Somalia. Customs stations are five kilometres away from the border with Somalia and there is no customs control over that area on either side. There is no customs authority in Somalia since there is no central government. The security situation in the area is of major concern for the Government of Kenya. There are only two customs stations, with two customs officers for each station. According to the officials, no customs seizures of arms or related items have been reported so far.

141. The Customs Department has many problems, such as lack of communication between headquarters and field customs stations. The Kenya Revenue Authority has officially submitted a request list to the Monitoring Group for consideration for future technical assistance. A copy of the letter containing this request is attached to the present report as annex III. The office of the Regional Intelligence Liaison Office (RILO) in Kenya is one of the seven RILO offices in the customs world. It is

[12] Interview with Mohamed Dhere, 3 June 2004.

responsible for 16 customs administrations in eastern Africa. Exchange of information and intelligence through RILO is working well. The information and intelligence in its database, however, does not include arms-related issues.

142. The Monitoring Group has learned from several sources that shipments of small arms are regularly being supplied to certain businessmen and other parties in Mogadishu, Kismaayo and elsewhere in Somalia through Kenya. The armaments are initially smuggled into Mombasa, Kenya, by ocean freight or road transport by an organized group of individuals consisting of Somalis, Kenyan nationals and others before being transported to their destinations in Somalia.

143. The weapons may also be transported by lorry. Sources in the Northeastern Province of Kenya, along the Kenyan/Somali border, have told the Monitoring Group that the armaments moved by lorry are also hidden among consumer goods. The small arms include a variety of assault rifles, machine guns and explosive devices. Faction leaders and warlords receive them in Mogadishu, Kismaayo and elsewhere in Somalia. While the individual weapons are of different manufacture, the shipments are alleged to originate from a southern African country and South Asia.

144. The absence of money-laundering laws makes it difficult to take punitive measures against offenders. The Central Bank of Kenya has been enforcing the Regulation on Money Laundering, which applies to all institutions licensed to transact business under the Banking Act. It contains provisions for customer identification through personal, corporate, partnership or trader accounts, establishment of the legitimacy of funds and transactions and the determination and reporting of suspicious transactions.

145. The Ministry of Finance is currently leading the drafting of a bill that covers a wide range of financial aspects to prevent money-laundering activities and makes provisions for the confiscation of money acquired through crime. The bill, inter alia, defines money-laundering offences and recommends the establishment of a financial reporting centre and of an anti-money-laundering committee. The broad objective of the proposed regulation is to provide guidance on the prevention, detection and control of possible money-laundering activities.

146. The heaviest aircraft traffic in the region is between Kenya and Somalia. Over 90 per cent of these flights originate from Wilson Airport in Nairobi and are primarily involved in the transportation of khat or are humanitarian flights. Passenger traffic from Somalia to Wilson Airport is very limited. There are scheduled passenger air transport services out of Jomo Kenyatta International Airport, Nairobi.

147. Although there are no other official airports for flights to and from Somalia, the large number of privately owned and government-supervised airstrips along the Kenyan/Somali borders in particular and in Kenya in general offer opportunities for unofficial flights to and from Somalia. Some of these airstrips are not even included in the current official Kenyan Aeronautical Information Publication.

148. Most of these airstrips are either controlled by the offices of District Commissioner or are privately owned. The offices of District Commissioners usually do not have the capacity to man the airstrips under their control effectively. The activities of privately owned airstrips could be questionable in some cases. While the investigations of the Monitoring Group did not reveal any incident of

arms trafficking by air to and from Somalia from any of these airstrips, there is certainly a need to monitor some of them, particularly those along the Kenyan/Somali border.

149. It appears that the major movements of goods to and from Somalia are by dhows and by road. Dhows operate regularly to and from Somalia from the old and the main ports of Mombasa, transporting coffee, tea, etc. to Somalia and general cargo, fish, etc. to Kenya. There is an average of three or four dhows per week and the return trip usually takes about two weeks.

150. During the visit of the Monitoring Group to Mombasa on 16 June 2004, it was discovered that a particular dhow that was recorded at the main port as scheduled to arrive on 17 June 2004 was reported to have left the old port a few hours before the arrival of the Monitoring Group. Since a return trip to Somalia usually takes about two weeks, it is impossible for this same dhow to have made this return trip from Somalia. This situation calls certain issues into question. Either the records were inaccurate or the same dhow may be using multiple registration or multiple names. The latter issue is similar to the situation for some of the flight operations to Somalia, where operators are known to have been using multiple registration or call signs. There is a need to monitor and regulate effectively dhow traffic between Kenya and Somalia. This could greatly assist in the enforcement of the arms embargo.

6. The United Arab Emirates

151. On the basis of the information and documents provided, the United Arab Emirates has taken positive and effective measures to enforce the arms embargo. The United Arab Emirates provided the Monitoring Group with documents to support some of its claims concerning the measures taken to enforce the arms embargo on Somalia. It has implemented several new procedures in its banking system, ports, airports and customs operations. These measures will go a long way in enforcing the arms embargo effectively.

152. The Central Bank of the United Arab Emirates has implemented a new anti-money-laundering system that requires all money transfers above 2,000 dhiram, equivalent to $542, to be reported, and money changing organizations are now required to register with the Government. There is a large Somali community based in the United States and Europe that transfers money to Somalia through the United Arab Emirates. Somalis use the money transferred essentially to purchase machines, building materials and food.

153. To prevent illicit use of the remittance system when transferring money to Somalia or the use of trade or any commercial operation to launder money that might be connected with arms trafficking in Somalia, security agencies in the United Arab Emirates have records of all persons who enter the country. Law enforcement officers in the United Arab Emirates monitor communities with a view to predicting suspicious transactions. The most important source of information on illegal transactions is the behaviour of persons apprehended by law enforcement officers.

154. The Government of the United Arab Emirates has enacted various laws and regulations in order to combat money-laundering and the funding of terrorism. The regulations cover a wide range of financial issues, such as the responsibility of financial institutions for reporting suspicious cases regardless of the amount of

money transferred, cash import declarations, and money-laundering through international banking and financial transactions, through secured and unsecured loans and through import and export transactions.

155. The Government has also established the National Anti-Money-Laundering Committee, which includes representatives of the Ministry of the Interior, the Ministry of Finance and the Customs Department. The Committee coordinates policy on money-laundering and information exchange. The Committee enjoys legal status, which allows it to search and freeze the accounts of persons found to have committed a criminal offence. The Central Bank has embarked on the process of registering all hawala[13] operating in the country, that are required to provide the Central Bank with details of the remitters and beneficiaries.

156. The United Arab Emirates hosted the first and second international conferences on hawala[13] and instituted best practices and procedures — the Abu Dhabi Declaration on Hawala, which recognizes the key role that hawala and other informal transfer systems play in facilitating remittances, while not losing sight of the fact that alternative value transfer systems can be used for illegal purposes.

157. In the area of civil aviation, the United Arab Emirates has taken several positive measures. Several Somali air transport operators, for example, have been closed down and all air cargo destined for Somalia is now scanned at the airports. Random inspections and audit of Somali air transport operators are now in place. A list of suspicious operators and air transport companies operating in Somalia has been developed and those on it are closely monitored. This list is updated regularly. In addition, all aircraft registered in two African States that are used by violators of the arms embargo have been banned from entering the airspace of the United Arab Emirates. In addition, all IL-18 aircraft have been banned from transporting passengers to Somalia from the country. The number of ramp inspections for Somalia-bound aircraft has been increased.

158. An audit programme has been introduced for all air transport companies operating in the United Arab Emirates. A cease and desist order to foreign air operators based in the United Arab Emirates has been issued to about 14 companies, about 80 per cent of which used to operate to Somalia. This cease and desist order prohibits a company from flying in the airspace of the United Arab Emirates.[14]

159. In spite of these improvements, however, there is still a need to enforce the new measures vigorously. From the records reviewed at CACAS, for example, the Monitoring Group has learned that some of the companies on the cease and desist list have conducted flights from the United Arab Emirates to Somalia after the date of entry into force of their respective cease and desist order. On 7 and 8 March 2004, Jubba Airlines, which has been on the list since April 2002, conducted a flight from Dubai International Airport to Berbera, Somalia, and from Berbera to Dubai International Airport. It conducted another flight on 18 March 2004 from Dubai International Airport to Berbera.

[13] An Arabic word that means "transfer".

[14] UAE Civil Aviation Authority Regulatory Investigation No. 09/2004.

160. On 11, 17, 18, 24, 25, 28, 29 and 30 April 2004, another company on the list, African Express Airways, conducted flights to and from Dubai International Airport and Berbera. CACAS records show that British Gulf Airline, which had been issued with an air operator's certificate by the United Arab Emirates but was not allowed to operate to Somalia, made at least four flights to Somalia this year. It is thus apparent that some of these operators, in spite of the efforts made by States, continue to find ways of circumventing the rules. The need for continued monitoring, therefore, cannot be overemphasized.

7. Yemen

161. According to the Ministry of the Interior, Yemen is the only Gulf State that hosts Somali refugees — about 150,000 — and has developed a system with the local office of UNHCR for vetting Somali refugees, in an attempt to catch arms smugglers, criminals, etc. However, no document to this effect was provided to the Monitoring Group.

162. According to the United Nations security briefings, an estimated 10 to 15 million weapons are available for a population of about 18.5 million. It is reported that arms and weapons are easily available at the various arms markets throughout the country. The availability of weapons and ammunition at these markets is said to have resulted from the Yemeni civil war in 1994. It was admitted that there were residual weapons around.

163. According to Yemeni Civil Aviation Authority officials, there are no air links between Yemen and Somalia. In the report of the last Panel of Experts (S/2003/1035), the issue of aircraft en route to Somalia from the United Arab Emirates making stops at Ryan airport in Yemen was raised. According to the officials of the Civil Aviation Authority, these aircraft only make technical stops at Ryan airport for refuelling and neither passengers nor cargo are taken on board or brought to Yemen from Somalia.

164. Flight records at CACAS, however, indicate that aircraft have been known to carry passengers and cargo from Ryan airport to Somalia. On 6 June 2004, for example, Ibris Airline, an operator based in the United Arab Emirates operated a flight using an IL-18 aircraft that had been banned from transporting passengers out of the United Arab Emirates from Ryan airport (flight number UN75003) to Hargeisa, "Somaliland", and from Hargeisa to Beledweyne, Somalia, and then back to Ryan airport. According to the records this flight originated from Ryan airport. On the same day, the same airline operated another flight from Ryan airport (flight number UN75005) using the same aircraft to Hargeisa, then to Balidogle, back to Hargeisa, and then to Ryan airport. Again, the CACAS records indicate that this flight originated from and terminated at Ryan airport.

165. A similar flight by another operator, Phoenix Airline, was conducted on the same day. Phoenix Airline's flight number EX 201 went from Ryan airport to Balidogle in Somalia and from Balidogle to Eden. This flight, according to the available records, originated from Ryan airport. According to the CACAS records, flights operated by Ibris Airlines and Phoenix Airlines on 3, 17, 18, 22, 24 and 30 May 2004 may have either originated from or terminated at Ryan airport.

166. It is quite possible that by the use of different flight numbers and call signs, or complex flight operation arrangements, such as subleasing of domestic flights

within Somalia, these flights may go unnoticed by the Yemeni officials. Some of these operations and information from the CACAS records may still need to be confirmed by officials of the Yemeni Civil Aviation Authority to determine the exact nature of the flights and to assess the effectiveness of the measures they have taken.

167. Yemeni officials admit that the long (2,400 kilometre) Yemeni coastline could prove difficult to monitor effectively with regard to the enforcement of the embargo. In an attempt by Yemen to monitor its coastline, however, the first batch of Yemeni coastguards graduated in May 2004. It is expected that the coastguards will assist in reducing the illegal traffic of weapons by sea. The officials, however, admitted that they still did not have adequate resources to patrol their coastline fully and effectively. They stated, for example, that there was a need for aircraft to patrol the coastline, for radar and for many smaller ports to be built along the coastline.

168. Yemen has stated that there is a need for coordination between Yemen and other countries in the region to stop the illegal traffic of arms. It claims to be putting measures in place to regulate and monitor the domestic arms markets. However, no document to this effect was provided to the Monitoring Group. The customs officials claimed that there was no official trade between the country and Somalia and that revenue collection was its major task. The ports currently have no scanners to inspect containers and goods coming into the country.

169. Recognizing the significance and role of the Yemeni arms markets in the overall Somali arms traffic, the Monitoring Group developed specific questions relating to the arms markets and other arms-related issues. The objective was to better understand the situation on the ground and to get official responses and explanations regarding the issues concerning the arms traffic. Prior to leaving at the end of its mission, the Monitoring Group submitted to the Government of Yemen a list of questions concerning the arms markets and other issues relating to the arms embargo.

170. The Government promised to forward its responses to the Group. Unfortunately, despite several reminders from the Group to the Government to forward the responses, at the time of writing the present report the Group is still awaiting them.

IV. Recommendations

A. The basis for a draft list of violators of the embargo

171. Paragraph 2 (e) of Security Council resolution 1519 (2003) requires the preparation of a draft list of those who continue to violate the arms embargo inside and outside Somalia, and their active supporters, for possible future measures by the Council.

172. Within the context of the arms embargo on Somalia, this is probably one of the most challenging tasks of the entire mandate of the Monitoring Group. It is the opinion of the Monitoring Group that fundamentally the concept of a draft list as mandated by the resolution is premature at the current stage of the investigations.

173. Several issues need to be adequately addressed before an official draft list is published. Most importantly, the measures taken on the basis of the list should be effective in preventing future violations of the embargo. If they fail to do so, the value and purpose of the draft list will be greatly compromised. Equally important are the objectivity and defensibility of the draft list. If these cannot be satisfactorily ensured, there is a risk of undermining the credibility of the Committee.

174. Against this background, the Monitoring Group is of the opinion that the issues below should be addressed before the publication of the draft list.

B. Proof and evidentiary standards

175. The Monitoring Group will use the standards of verification set out in paragraph 36 of the present report.

C. The cut-off point for the draft list

176. Since the adoption by the Security Council of the resolution on the arms embargo on Somalia in 1992, almost all of the major warlords or faction leaders have violated, and in some cases continue to violate, the arms embargo. For the purpose of objectivity, there is a need to determine how far back the review period should go. The reports of the last two Panels of Experts (S/2003/223 and S/2003/1035) mentioned warlords and faction leaders alleged to have violated the embargo. Some of these warlords and faction leaders, who have been attending the ongoing Somali National Reconciliation Conference, have claimed, however, that they have refrained from violating the arms embargo. Others who withdrew from the talks at some stage have been reported to violate the arms embargo. The Monitoring Group continues to receive information that while some of these warlords and faction leaders are attending the peace conference, their associates or representatives in Somalia violate the arms embargo.

177. There are several possible cut-off points: from 2002, when the first Panel of Experts was established by the Security Council, or from 1992, when the arms embargo was first imposed, or from November 2003, after the Security Council Committee visited the region. Whatever cut-off points for the draft list are chosen, the issue of objectivity and equal treatment of the warlords and faction leaders may arise.

178. The choice of the cut-off point may also leave out a new group of violators of the arms embargo, the businessmen. The current investigations have revealed that a new group of Somali businessmen and businesswomen has emerged as the major violators of the arms embargo. These violators were not covered as much as the warlords and faction leaders in the reports of the last two Panels of Experts. Information on these players is just now coming to light and they constitute a major group of violators. Therefore the Monitoring Group will recommend that the period for the draft list be from the establishment of the first Panel of Experts to the end of the current mandate of the Monitoring Group.

D. Definition of violation of the arms embargo

179. Somalis have varying perceptions of what constitutes violation of the arms embargo. During interviews with the Monitoring Group, some of the warlords and faction leaders expressed their conviction that they had never violated the arms embargo, primarily because all the weapons and ammunitions they claimed to have had been purchased in Somalia.

180. There is a general misconception among most Somalis that, as long as they do not import arms and ammunition into Somalia or are supplied by outside sources, whatever they do with regard to acquiring arms and weapons within Somalia is fair game, in the spirit of self-defence, and should not constitute a violation of the arms embargo. These Somalis do not think that they have done anything wrong and believe that they are just trying to protect themselves. It is the opinion of the Monitoring Group that the purchase of arms in Somalia constitutes a violation of the arms embargo. In addition, those who benefit from arms embargo violations should also be considered for inclusion on the draft list.

E. The Transitional National Government and regional administrations

181. The issue of how to treat the Transitional National Government (TNG) and the other regional administrations such as "Somaliland" and "Puntland" with regard to violations of the arms embargo is a complex one. The Committee requested that the Monitoring Group cover the whole of Somalia for its investigations. The TNG has been known to receive arms and ammunitions in order to provide national security and safety. The Monitoring Group is not aware, however, of the TNG ever having been granted any exemption either by the Sanctions Committee or the Security Council regarding the importation of arms. Technically, this constitutes a violation of the arms embargo.

182. A similar situation exists with regard to "Somaliland" and "Puntland". Both regions are known to have received arms or purchased arms for self-protection or defence. Again, the Monitoring Group is not aware of any dispensation or exemptions given to them for the purchase of weapons or ammunitions. The Transitional National Government, "Somaliland" and "Puntland" have technically violated the arms embargo because they have received weapons and ammunition to provide peace and security for their areas of control.

F. Measures to be taken against individuals on the draft list

183. Once the Security Council has approved a list, there will be a need to decide on the measures it may wish to impose on those on the list. These measures must be effective so that they send a loud and clear message about the seriousness of the Council. In this regard, the following practical options are available:

(a) A ban on travel, with the exception of any travel undertaken to an agreed upon venue for peace talks;

(b) The freezing of individuals' assets.

184. These options in themselves pose many problems that could render them ineffective. They could, for example, be effective only if the neighbouring States were very cooperative. The immediate family members of almost all those who could be on the list are out of Somalia, thus making it difficult to enforce a travel ban. The financial assets of and the true financial picture concerning most of those who would be on the list are yet to be adequately determined. This may take some time, thus making any freezing of assets of individuals difficult to implement. Finally, some of those who could be on the list have been known to carry multiple passports or have several nationalities, in addition to the fact that they are hardly ever in Somalia.

G. Recommendations concerning the draft list

185. In view of these challenges and issues, the following recommendations are made:

(a) At this stage of the investigations, it is recommended that the draft list be called a watch list and be highly confidential. This list will include individuals who should be investigated further in order for it to be clearly established whether they continue to violate the arms embargo;

(b) The investigation of those on the watch list should include investigation of their financial assets and transactions;

(c) For the purpose of management and ease of control, the initial watch list should be restricted to Somalis and the list should be dynamic;

(d) After further investigations, those on the watch list who continue to violate the embargo should be placed on the draft list and the Council should impose sanctions on them. Those found not to be violating the embargo should be removed from the list;

(e) A watch list of non-Somalis should be developed and treated in a similar way to the Somali watch list, after the completion of the draft list for Somalis;

(f) The following criteria should be used for putting an individual on the watch list:

(i) All the warlords and faction leaders whose names have consistently appeared in the reports of the past two Panels of Experts with regard to arms embargo violations and whose names continue to come up during the current investigations;

(ii) All warlords, faction leaders and businessmen who operate airports, seaports, roads, etc., collect money from these sources and also arm their militias so that they can continue to benefit from these sources;

(iii) All businessmen and businesswomen who are known to have imported arms or engaged in the arms trade in Somalia, who have violated the arms embargo and whose names continue to come up during the current investigations.

186. The list of violators on the watch list will be submitted confidentially under separate cover to the Committee. This list will cover the period from the establishment of the first Panel of Experts (2002) to the current mandate (2004).

II. Recommendations concerning the arms embargo

1. Continued monitoring

187. Continued monitoring of the arms embargo is necessary to ensure its effectiveness. The limited duration of the mandate does not offer enough opportunities to investigate fully some of the alleged violations, thus making it difficult to come up with clear-cut and definitive cases of violation.

188. Given the watch list and the subsequent development of the draft list, the continuity of the Monitoring Group is critical. On the basis of the information the Group has collected, there is an apparent pattern of violations of the arms embargo during the period when the Panel's or the Monitoring Group are not in the region.

189. At this critical stage of the Somali National and Reconciliation Conference, the continuity of the Monitoring Group is imperative so that it can act as a deterrent to potential violators of the arms embargo during the Conference and to ensure that opposition groups do not destabilize the new transitional government that may emerge out of the Conference, or to minimize the violence that may erupt if the talks are inconclusive.

190. To enhance the effectiveness of the Group, consideration should be given to providing additional resources and support. This is necessary given the areas to be covered and the limited mandate period.

2. Arms traffic

191. On the basis of the work of the Monitoring Group in connection with the Bakaaraha arms market, it is clear that the Bakaaraha arms market is not a single isolated local market for the sale of arms but rather a large sprawling network of arms markets interconnected through internal transfers of arms between markets that are internationally supplied and are all interlinked financially through the main market at Bakaaraha, Irtogte.

192. The Monitoring Group recommends that the Council recognize the crucial role that this arms market network plays in perpetuating the deadly conflict in Somalia and that the Council remain apprised of the overall importance of this arms market network through specifically mandated and continued monitoring and reporting to the Council on the activities of the market network.

193. The Monitoring Group is of the view that there is a need for the Council to further recommend to regional bodies and frontline and other affected States that they raise the level of their own awareness of the importance of the negative impact that this arms market network has on peace and stability inside Somalia, with negative ramifications for the region as a whole.

3. Transportation

194. There is no doubt that transportation plays a major role in the violations of the arms embargo. Although the use of aircraft as a mode of transporting arms into Somalia may seem to have decreased during the mandate period, transportation by sea and road has increased. The 3,200-kilometre Somali coastline, the second longest in Africa, poses a tremendous challenge for monitoring the arms embargo

effectively. This is compounded by the fact that dhows are unregulated along the coastline and actively engage in violations of the arms embargo.

195. Notwithstanding the current infeasibility of a caretaker maritime authority for Somalia, there is an urgent need to ensure safety and security along the Somali coastline and to prevent or minimize its use as a route for arms trafficking. In this regard, it is recommended that IMO, in consultation with neighbouring States, and other agencies and organizations concerned, should develop a practical coastline-monitoring programme for Somalia.

196. The unregulated nature of the operations of dhows in the region needs to be urgently addressed. Neighbouring States need to seriously consider introducing a registration system for all dhows docking at their ports. This system should be concurrent with an inspection and monitoring procedure.

197. There is a need for a more aggressive monitoring of the movements of aircraft from neighbouring States to and from Somalia and for close coordination with CACAS regarding the nature and type of operations involved.

198. The new transitional government of Somalia that may emerge out of the current peace process should consider delegating its aeronautical responsibilities, such as licensing, the issuing of operating permits and certification, to a competent neighbouring country until such a time that the new transitional government is technically competent and capable of undertaking these responsibilities. This delegation of authority should be done in consultation with the International Civil Aviation Organization (ICAO).

199. Some neighbouring States should seriously consider closing some of the private airstrips along their borders with Somalia and putting some of the airstrips in their countries under the control of their respective National Airports Authority.

200. Technical assistance and capacity-building in the aviation subsector and the maritime sector should be seriously considered for some neighbouring States so that they can effectively enforce the arms embargo.

201. Neighbouring States should closely monitor their common borders and regulate the flow of vehicular traffic with a view to effectively enforcing the arms embargo.

4. Customs and border control

202. The Monitoring Group welcomes the statement by the President of the Security Council of 31 October 2002 welcoming the establishment of the United Nations Group of Governmental Experts with a mandate to examine the feasibility of developing an international instrument to enable States to identify and trace the transnational movement of illicit small arms and light weapons. Furthermore, the Monitoring Group is paying attention to the development of the Interpol Weapons and Explosives Tracking System (IWETS).

203. The customs administration plays the most important role in border control. The effectiveness of customs control can have a positive effect on the arms embargo. The Customs Enforcement Network (CEN)[15] is an efficient and useful tool developed by WCO for customs administrations worldwide. A liaison officer from the United Nations Secretariat could act as the focal point for cooperation with WCO and could establish links between a future database of the Secretariat and the CEN database.

204. The United Nations Secretariat may wish to consider signing a memorandum of understanding with WCO to underline the importance of United Nations sanctions and encourage customs administrations to fully implement the arms embargo, urge customs administrations to improve their border enforcement, establish a cooperation mechanism to guarantee the effectiveness of United Nations sanctions, establish regular joint consultation meetings to discuss and to find out the best way of enhancing customs enforcement capability, implement a more operative Security Council sanction regime, share and exchange information and intelligence on the arms embargo and provide the necessary support for special programmes aimed at enhancing the arms embargo.

205. The international community may consider the possibility of cooperating with WCO to sponsor training workshops in East African countries and examine ways of funding the training of customs and police officers in the region. The United Nations may also wish to invite Member States to donate to capacity-building programmes in the region.

206. The United Nations may wish to consider contracting a private company with experience in capacity-building programmes to conduct specific courses using special techniques and equipment, to train customs and police officers from the neighbouring States to analyse, identify and physically check whether arms are trafficked across their borders.

207. The Monitoring Group on Somalia considers the effectiveness of customs and border enforcement in the region critical for the arms embargo. The African Union may wish to consider promoting or sponsoring activities or programmes that may improve customs capabilities and customs border control in the region. The United Nations should fully support these programmes and activities.

5. Financial aspects of the embargo

208. There is a need for the frontline and neighbouring States of Somalia — Kenya, Djibouti, Eritrea, Ethiopia, the Sudan and Yemen — to consider adopting the 40 recommendations and 8 special anti-terrorist measures of the Financial Action Task Force on Money Laundering (FATF)[16] in order to strengthen the capacity of banks and financial institutions to trace funds held by their clients that might be linked to illicit activity, particularly trafficking in arms, drugs or contraband goods. Emphasis should be placed on strengthening the "knowing your customer" policy, record-

[15] The Customs Enforcement Network (CEN) is an information system for data exchange and communication between customs services. It was established in July 2000 by customs administrations that were members of WCO. It has 1,300 users and the information exchanged on seizures, including of arms and ammunition, had increased to more than 73,000 cases by April 2004.

[16] FATF is an independent international body whose secretariat is housed at the Organization for Economic Cooperation and Development (OECD) in Paris.

keeping rules, reporting of suspicious cases, implementation of measures to detect and control physical cross-border transportation of cash and bearer negotiable instruments, and raising awareness of the potential abuse of corporations by money launderers.

209. Alternative value transfer systems or remittance companies that operate in various countries as a means of transferring money to Somalia should be made to comply with international financial regulations and the laws of host countries. Each neighbouring or frontline State should take measures to guarantee that persons, legal entities and agents that provide transfer services are licensed or registered and comply with all the recommendations of the Financial Action Task Force.

210. Countries trading with Somalia should enforce their anti-money-laundering measures, particularly those relating to illicit trade, in order to prevent money derived from narcotics or arms from being diverted to the purchase of goods, particularly household appliances, electronic goods, liquor, cigarettes, vehicles, vehicle spare parts, clothing and jewellery, as a means of disguising its illicit origin.

211. The activities of khat traders should be closely monitored to discourage them from providing funds or arms to the factions engaged in the conflict in Somalia.

212. There is a need for international organizations and States to enhance their investigations and control measures in order to ensure that contracts are not awarded to warlords or businessmen directly or indirectly involved in the conflict and to avoid potential diversion of humanitarian aid.

Annex I

Letter from the Chairman of the IGAD Facilitation Committee

From the Desk of
Ambassador Bethuel Kiplagat
H.E. the President's Special Envoy for Somalia

P.O. Box 30551
NAIROBI

Telephone: 891201/2
Ext. 2004/2059
FAX: 891949

16th March, 2004

Dr. John Tambi,
Coordinator,
United Nations Monitoring Group on Somalia,
United Nations,
NAIROBI

Dear Mr. Tambi,

During a joint meeting held between the IGAD Facilitation Committee and the International Observers on Monday, 15th March, 2004 concerns were raised to the effect that there are reports indicating renewed flow of arms into Somalia.

If true, this renewed flow contravenes the United Nations Security Council Resolution 733 (1992) on Arms Embargo on Somalia.

The Meeting therefore decided that these unfortunate reports should be brought to your attention for investigation and reporting accordingly.

Looking forward to receiving your report.

Yours sincerely,

B. A. Kiplagat

Amb. Bethuel A. Kiplagat
KENYA'S SPECIAL ENVOY FOR SOMALIA
AND CHAIRMAN IGAD FACILITATION COMMITTEE

Annex II

Forged Somali Air Operating Certificate

Jamhuuriyadda Soomaaliya — Somali Republic

Wasaaradda G. Cirka & Dhulka — Ministry of Air & Land Transport

Mogadishu

Department of Civil Aviation

AIR OPERATOR'S CERTIFICATE

The Somali DCA Hereby Certifies That 'STAR AFRICAN AIR" With Its Registered Head Office Located In Mogadishu; (Tel: +252 1 646031; 215428; Fax: +252 1 646004 e-mail: otcvg@somalinternet.com) Meets The Requirements Of Civil Aviation Rules And Regulations Provisions And Normative Acts Regulating Civil Aviation Activity Of The Republic Of Somalia, Related To The Issuance Of The Present Certificate And Has All Rights To Operate Domestic As Well As International Air Passengers And Cargo Commercial Scheduled And Non-Scheduled Operations On The Bases Of The Said Rules And Regulations Of The Republic Of Somalia AIP With Limitations Contained In The Attached Specific Operating Provisions Forming An Integral Part Of This Certificate.

This Certificate Is A Non-Transferable Document And Is Valid Till ***September 4,2004***

This Certificate May Be Suspended Or Revoked In Accordance With The Established Order.

The Air Services With The Present Certificate Are Put Into Effect Only Along With Necessary Licenses And Clearances.

Minister of Air and Land Transport

Mr. Abdi Guled Mohamed

Please accept the assurances of my highest consideration.

Actual Signature

Abdi Guled Mohamed
Minister

Certificate No 004
Valid From 04/09/2001

Annex III

Letter from the Commissioner General of the Kenya Revenue Authority

Kenya Revenue Authority

Office of the Commissioner General

KRA/5/1002/42

6th July 2004

Mr. Changsheng Li,
Customs Expert,
UN Monitoring Group on Somalia,
Security Council Resolution 1519(2003),
Tel. 254-20-624774 Fax: 254-20-624777/624564/624174
NAIROBI.

URGENT

Dear Mr. Li,

REVIEW OF CUSTOMS AND BORDER PROCEDURES TO ENFORCE THE ARMS EMBARGO ON SOMALIA

We appreciate the meeting we had with you yesterday morning, and what we shared regarding implementation of the UN arms embargo on Somalia.

For the record, some of the areas of training, technical assistance and capacity building support that may be required by the Customs and Excise Department include:

(a) Communication facilities: the border with Somalia is not served by any telephone facilities, even mobile phones.

(b) Review of legislation to empower customs to take up a more robust role in law enforcement, in accordance with global best practices (lessons from other countries in situations of conflict could be useful here).

(c) Training of customs border staff in identification of arms, and verification of suspect cargo e.g. due to unfamiliarity with weapons, it is easy for a bomb to explode while examination is going on.

(d) Deployment of adequate border personnel and motor vehicles equipped with communication facilities to patrol the expansive border.

Times Tower Building • 30th Floor,
Haile Selassie Avenue, P.O. Box 48240 • Nairobi • Kenya
Tel: 310900 • Fax: 316872

(d) Information technology infrastructure - with power generators since the area is not served with electricity.

(e) Establishment of new customs stations to properly patrol the border - currently, there are only two stations, but there are plans to open three more stations.

(f) Patrol boats and helicopters for enhanced sea and aerial surveillance on the land and sea.

(g) Infrastructure to facilitate exchange of information between the different law enforcement agencies in Kenya, and between customs agencies in IGAD countries (through the WCO Regional Intelligence Liaison Office for East and Southern Africa).

(h) Formulation of a strategy for customs to play a more visible part in security and trade facilitation: this is however, ongoing.

We would appreciate to remain in touch formally and informally, as such exchange will definitely be beneficial in enabling us play our part in bringing about and maintaining peace in Somalia, and the world at large.

Creck Buyonge
Acting Senior Assistant Commissioner (Operations)
For: COMMISSIONER GENERAL